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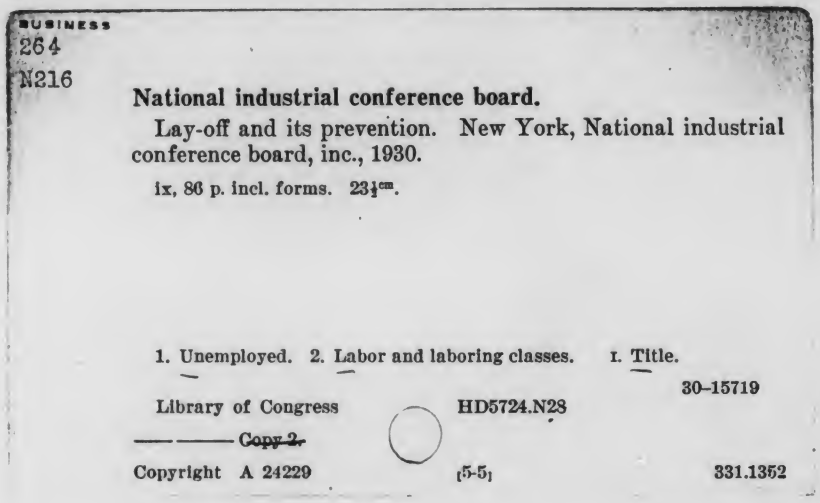

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LAY-OFF AND ITS PREVENTION

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PREFACE

MODERN industry worships at the shrine of efficiency, and is impatient of conditions which prevent the fullest utilization of its equipment. The engineering mind declares war on waste; it matters not whether it finds this waste in technical processes or in economic conditions. It believes that the waste which arises from irregularity in operation is, in part at least, inexcusable. In the interest of effective operation it seeks by every means in its power to avoid such irregular operation.

In addition, the spirit of modern industry is broadly sympathetic for human welfare. It recognizes that the men behind the machines are the most important factor for consideration. In irregularity of employment may lurk disaster to the employees and distress to society generally. Modern industry can not escape, and does not desire to escape, its social responsibilities.

What can industry do to prevent, on the one hand, the waste in intermittent operation and, on the other, the distress which irregular employment may cause among the workers and in the community? If unavoidable, what can management do to minimize the bad effects of these conditions, both from the standpoint of industrial efficiency and the welfare of the workers?

The following presentation endeavors to give current experience with these problems. A systematic inquiry among manufacturers regarding their practices in avoiding the temporary lay-off of employees, and with respect to the procedure followed when such lay-off became inevitable, lies at the basis of the general considerations stated and the conclusions reached in this study.

This publication deals with questions of immediate public interest and should make for a better understanding of the fact that satisfactory industrial operation depends upon accurate and sympathetic comprehension of industrial employment problems on the part of both managers and workers.

In the preparation of this study the National Industrial Conference Board has greatly benefited by the cooperation and suggestions of its Advisory Committee on Industrial Relations, composed of men of special knowledge and broad experience in this field, to whom the Conference Board wishes to express its indebtedness, *viz.:*

Frank P. Cox, Manager, West Lynn Works, General Electric Company, West Lynn, Mass., *Chairman.*
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Minnie Preusser, Assistant to Director of Personnel, McGraw-Hill Publishing Company, New York City.
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J. A. Morford, of National Industrial Conference Board, New York City.
Harold F. Browne, Manager, Industrial Relations Department, National Industrial Conference Board, New York City, *Secretary.*

In the preparation of its studies, the National Industrial Conference Board avails itself of the experience and judgment of the business executives who compose its membership, and of recognized authorities in special fields, in addition to the scientific knowledge and equipment of its Research Staff. The publications thus finally represent the result of scientific investigation and broad business experience, and the conclusions expressed therein are those of the Conference Board as a body.

This study is the result of an investigation conducted by Miss F. Beatrice Brower and assistants, of the Conference Board's Research Staff, under the supervision of the Staff Economic Council.

MAGNUS W. ALEXANDER
President

New York City
April, 1930

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LAY-OFF AND ITS PREVENTION

CHAPTER I

FLUCTUATIONS IN LABOR REQUIREMENTS

FLUCTUATIONS in the size of the working force of an industrial establishment such as affect an appreciable proportion of the total do not conduce to high efficiency of operation. In the first place, the occurrence of such fluctuations argues an unevenness of operation which prevents the constant utilization of the full productive capacity of plant and equipment. In the second place, trade and special skill which it has taken time and money to teach is lost to an employer when it is necessary to lay off employees who possess it, and further cost is incurred in training new employees when activity is resumed. Thirdly, the lack of reasonable security of employment weakens the morale of the workers and discourages the growth of any feeling of loyalty to the employing company. The more competent workers will, other conditions being substantially equal, prefer to secure more stable employment elsewhere when opportunity offers, and the individual efficiency of those who remain is not likely to be stimulated by the feeling of insecurity, except in the case of those to whom the fear of dismissal is a beneficial stimulus.

Unsatisfactory as such conditions may well be to management in the industries affected, they have borne more onerously upon the wage-earning population. Incomes from wages have, as a rule, been found not much more than adequate for maintaining a minimum comfort standard of living, and current income has not greatly exceeded current expenses. When this income has ceased through loss of employment, for whatever reason, financial embarrassment has usually followed, and if the period of unemployment has

been protracted, hardship and even destitution have resulted.

In an earlier period this unfortunate condition was considered inevitable, and this view still obtains in many quarters. Consumer demand fluctuates, sometimes for obvious social or economic reasons but often as a result of custom or prejudice. The entire machinery of production and distribution is necessarily geared to consumer demand, either as it is or as it can be made to be. Before scientific advertising and salesmanship came into play existing conditions of demand for products were accepted, and producing agencies conducted their operations in accordance with them. In a period of active demand the factory manager employed additional labor, and when demand declined there was no apparent alternative to laying off superfluous employees. That this was unfortunate for the designated employees was generally recognized, but the possibility of lay off, which has been termed more dramatically the "spectre of unemployment," was considered an unavoidable accompaniment of industrial employment.

This condition of uncertainty is still more prevalent than could be wished, but a recognition of the far-reaching disadvantages to management, to employees, to business and to society that follow from this condition has led to a serious attempt on the part of economists and industrial leaders to find some means of mitigating the effects of these deviations from normal conditions. For it has come to be realized within the last decade or two that, in addition to its effect upon the managements and employees immediately involved, unemployment on any considerable scale is a serious handicap upon all forms of business enterprise. The consumer purchasing power of the wage-earning population has become better recognized, and the loss of an appreciable portion of this buying power is felt not only by local merchants and dealers, but throughout industry as well. In a broader way, society feels the effect of unemployment, since law observance and respect for property usually accompany economic security, while the opposite conditions are apt to appear with wide-spread unemployment. An employed population usually means a prosperous, conservative community, and society at large partakes of the characteristics of the many communities that compose it.

Unemployment on any considerable scale periodically revives demands for compulsory unemployment insurance and other forms of state regulation of employment relations such as are distasteful to many persons. And inevitably, as long as a serious maladjustment exists, these demands will receive a wider support than would otherwise be the case. Hence it is to the interest of the opponents of such legislation to eliminate, so far as possible, employment fluctuations.

While the belief that fluctuations in employment can be completely eliminated is utopian and disregards inherent characteristics of the business and industrial system, it is reasonable to believe that methods may be devised for substantially reducing the arc which the swinging pendulum traverses. Some industries have made notable progress toward this end and others are giving serious thought to the problem. Basic causes of fluctuations in labor requirements are being studied and special effort is being made to correct conditions within the control of the individual management which tend to exaggerate the effect of the broader business movements that are beyond management's control. Before discussing the methods that have been found helpful for reducing employment fluctuations, however, it is well to review the leading causes of variation in plant operating activity, with consequent changing requirements for labor.

The Effect of Business Conditions

Every industrial establishment is a larger or smaller unit in the immense and complex industrial system. As such, it is to a greater or less degree sensitive to the influences which affect business. Special conditions, such as character of product, geographical location, availability of labor, financial strength or efficiency of the particular management, may make certain plants less than ordinarily sensitive to major business trends, but all feel their effect to some degree.

An inherent characteristic of business operation is the constantly changing degree of activity. Whether these changes occur in more or less regular cycles or whether they

are the result of outside influences which are unaffected by any time element, the fact remains that at times industrial operations expand and recede to be followed later by other expansions and recessions. These movements may be seasonal in character, in which case they occur regularly one or more times each year, or they may be general, without regularity of occurrence and of greater severity and longer duration. General recessions in business activity may not affect all industries equally, but few escape at least some slowing up. These recessions, which may develop into serious depressions, have in the past been the most serious causes of widespread reductions in employment.

Recurring Seasonal Fluctuations

Few industries or establishments are so fortunate as to have a practically uniform demand for their products such as permits them to operate at a reasonable capacity the year around. In most cases the character of demand makes production subject to more or less widely separated high and low points, but in some industries the fact that the raw material is available only at certain seasons accounts for widely differing extremes of plant activity. Until comparatively recent years these seasonal fluctuations were accepted as unavoidable—as a natural feature of the particular business which must be accepted as such. Of late years, however, management has not been content to submit to these wide variations in plant activity without making an attempt to overcome them, and has endeavored in various ways and with varying success to stabilize plant operation and consequently employment.

The seasonal factor, of course, differs in degree between various industries. The fruit and vegetable canning industry has long served as the conventional example of extreme seasonality. Depending as it does upon growing crops which mature within a comparatively limited period, this industry works at extreme capacity for a few weeks and then becomes practically quiescent for the remainder of the year. Even legislation regulating hours of work has recognized the special problems of this industry and exceptions have been granted to the operation of such laws during the brief busy season.

This busy season is so short that it is difficult to attract sufficient desirable labor for the limited period of employment, but many canning establishments have surmounted this difficulty by recruiting married women in the vicinity who are glad of an opportunity to earn extra money, but to whom a lay-off means only a return to domestic duties.

Most industries are not subject to such extreme variations but there are very few which do not experience some departure from normal activity at generally fixed periods each year. In the apparel industries and those dependent on them, the style factor and social customs play an important part. In others, the summer vacation season or Christmas is the goal for which production has been planned months in advance, and which has caused factories to run far above normal for weeks. Still others, like the construction industry, are affected by weather conditions. But regardless of the reason, the slack period which follows the rush means curtailed output and usually the temporary loss of employment by a larger or smaller proportion of the working force.

General Recessions in Business Activity

Farther from the control of the individual plant management is the general business recession, which brings with it widespread falling off in industrial activity. Unlike the seasonal decline, the extent and duration of which can be gauged in advance with some degree of accuracy, the general recession is always an unknown quantity until it can be analyzed in retrospect. It may be precipitated by credit stringency, by temporary overproduction which has for the time glutted the market, by a major financial crisis which has shaken confidence, or by a combination of these and other causes. The important feature of the general business recession from the standpoint of employment policy is that during its early stages management is quite in the dark as to how severe it is going to be and how long it will last. This makes more difficult the establishment of a policy for adjusting the working force to the often progressively diminishing production requirements.

A major business recession raises questions quite different from those to be met in the temporary seasonal decline.

Probably the most fundamental problem is whether the policy shall be to attempt to retain practically the entire working force and effect the necessary reduction in output by means of curtailed working hours, or whether the regular schedule of working hours shall be maintained and the force be reduced until there are just sufficient employees to handle the anticipated production requirements. It may be that neither of these basic policies will be adhered to, but that each may be followed at different stages of the depression, or the severity and duration of the depression may determine which policy is followed.

In any case, a general business recession restricts employment possibilities and forces upon management a decision of how best to effect the necessary changes with the least unsettling consequences to all concerned. If the decline is expected to be short lived, the individual management may consider itself sufficiently strong financially to bear the brunt of diminishing income without laying off many employees, in the hope that maintained earnings and buying power will shorten the duration of the depression. Or, as has been more frequent in the past, the first real evidence of an impending depression may cause management to begin to trim its sails to meet the storm, and successive reductions in the working force may be resorted to as the most logical method of lightening the ship to enable it to ride out the storm with the least possible loss.

Both seasonal and general recessions in activity are temporary in their effect upon labor requirements. They do not alter the general conditions of manufacture, and when the upward swing in activity is resumed, the situation which existed before the decline is, in general, reestablished. For a given volume of output the same amount of labor is required, and as conditions improve former employees are taken back or new workers are employed. Certain tendencies are becoming apparent, however, which lie deeper and work more slowly than temporary business depressions, and which appear to hold considerable significance as factors in the employment situation of the present and the future by reason of their effect upon the total requirement for labor and the characteristics of those available for employment.

The Effect of Broader Economic Movements

Industry has never been static, else the gradual progress since its earliest days would not have been made. But in recent years the rate of progress has been accelerated and evolution which required decades in the nineteenth century may require only one or a few years today. The whole tempo of industry has been speeded up. Vague prophecies of a few years ago have become accomplished facts today and are commonplaces of tomorrow. Problems unknown a decade ago loom as vitally important and requiring immediate attention. Conditions of local or limited application have merged to create nation-wide questions. Great and fundamental changes which have altered the organization, technique and operation of industry inevitably affect employment and labor conditions.

Technological Unemployment

Much has been heard about technological unemployment, which follows from the permanently reduced labor requirements in certain industries resulting from the use of advanced machinery and methods. There are evidences on every hand that in many cases a given output can be produced today with only a fraction of the human labor which formerly was required. This, however, is no new development. It has been in evidence since the first application of power to manufacturing. That it is occurring more rapidly today than ever before, thus complicating the problem of reabsorbing workers thereby released into other forms of work, is quite probable. Standard indexes of industrial employment during recent years have shown a definite downward trend, while at the same time the volume of production has reached higher levels than ever before. How rapidly new industries or collateral fields of work have been able to absorb the surplus labor released by older industries is a much discussed question upon which there is little agreement. But this declining labor requirement in the established industries may create for management the immediate problem of adjusting the labor force to the changing conditions and determining how the reduction in working force is to be accomplished.

Mergers

Another movement which is attracting attention is the growing practice of independent concerns to merge under a single management. The vertical merger, which aims at control over all stages in the manufacture of a commodity from raw materials to finished product, is not of itself likely to bring about any appreciable reduction in the amount of labor required, but the horizontal merger, which results from the combination of plants manufacturing substantially the same product, gives rise to a different situation. It may be that the central control will confine itself to broad questions of finance and leave to individual plant managements a substantial autonomy which does not differ greatly from their former independent operation. Or the merger may effect a closer control of the market, and secure a larger proportion of the total available business, which will tend to make each plant more active than formerly. A reassignment between plants of commodities for manufacture or operations to be performed, for the purpose of securing more efficient use of the combined facilities, may cause no diminution in the activity of individual divisions of the merger. Consolidations resulting in these conditions do not materially affect employment conditions.

But in practice other situations have frequently developed. Increased efficiency has made unnecessary the operation of all plants, or one or more plants have been cut down to a mere skeleton of the former size. The purpose of the absorption of a company may have been primarily to secure control of patents and, this accomplished, the plant may be of no further value to the central management. Whether such plants are closed or are continued on a reduced scale of operation, superfluous employees must be released, some of whom may have long service records to their credit. Here management faces a serious problem and must proceed slowly, for the decision in the first such instance is likely to be regarded as a precedent to be followed in other similar situations which may develop later.

Trade Equipment of Workers

Events which have tended to alter the organization and

conduct of industrial enterprises have brought in their train changes in the character and equipment of labor. Increasingly mechanized operations are producing a further and more minute division of labor. The jack-of-all-trades long ago ceased to have a place in industry, but now even the all around craftsman is becoming more rare. The refinement of machine process is making it possible to replace the machine operator with the machine tender. Knowledge of a single process or of one type of machine constitutes the complete trade equipment of an increasing proportion of workers, and so long as industry is active this narrow qualification appears to be adequate. When, however, the labor requirement shrinks, the versatile employee has a distinct advantage; he is available for a variety of assignments and when the working force is reduced he is likely to be retained in preference to the man whose sphere of usefulness is narrowly limited.

Furthermore, when seeking other employment the man with limited trade equipment is handicapped. His field of opportunity is restricted and his period of unemployment is likely to be prolonged, as he continues to seek a demand for his particular skill long after his more versatile colleague is again placed. This limited type of craft skill, the sole equipment possessed by an increasing number of workers as a subsidiary result of basic changes in methods of operations, is likely to be a factor of growing importance in the labor situation, influencing the amount and character of lay-offs and the extent of unemployment.

Emphasis on Efficiency of Labor

Still another factor in the situation is a by-product of the ever-growing demand for increased efficiency of operation. Cost figures and records of various kinds are constantly scrutinized in the effort to reduce unit production costs. Incentive wage plans encourage the more competent and ambitious to increase their effort and output, and hence their earnings. All of these devices inevitably focus attention upon the poor producers, the really expensive employees. Whether business is good or bad, but particularly in the latter case, good judgment dictates that these marginal em-

ployees should be eliminated. They are a drag on the organization whether they are merely misfits who are trying to perform work for which they are not adapted, or are naturally incompetent. Consideration for these employees, who are sometimes found to have long service records, suggests the desirability of eliminating them at a time other than during a business decline, in order that their opportunity to secure other employment may not be complicated by an aggravated condition of unemployment, but frequently the spur of necessary curtailment is required to overcome the inertia against what may appear to be unnecessary discharge.

These workers are not of the type commonly referred to as "floaters." They are regular members of the force and often have been such for years. They have as much desire and intention to remain in the company's service as others. But evidence shows that they are not quite making the grade, and sooner or later the demands of efficiency will require their elimination. The sooner it is done the less of a problem it will be, and one element leading to instability in size of working force will be removed.

Cause of Lay-Offs	Number of Companies	Per Cent of 136 Companies
Seasonal fluctuations	76	55.9
Business depression	51	37.5
Increased efficiency	39	28.7
Introduction of new machinery	21	
Change in methods	15	
Introduction of wage incentives	3	
Completion of building program	6	4.4
Changes in style	3	2.2
Weather conditions	2	1.5
Consolidation	2	1.5
Inability to get raw materials	1	0.7
Lack of coordination between engineering and manufacturing departments	1	0.7
New plant in South	1	0.7
In interest of economy	1	0.7

Apart from the effects of economic movements and business conditions upon employment stability, plant managements can accomplish much in tempering the effects of these outside influences, and still more in correcting conditions within the plant which lead to irregularity of operation. That they are devoting careful thought to this problem in

increasing measure is evident from data furnished by 248 companies on the general subject of stabilizing employment and lay-off procedure.[1] The reasons ascribed by 136 of these companies for the necessity of laying off employees during the minor depression late in 1927 are classified in the table on the preceding page.

The plans which these and other companies have worked out and put into effect for the purpose of overcoming employment fluctuations will, in so far as this is possible, be described in the next chapter.

[1] For a description of methods of gathering the information upon which this treatment of the subject is based, see Appendix, p. 85 of this volume.

CHAPTER II

METHODS OF STABILIZING THE WORKING FORCE

IT HAS been well said that the best way to correct a difficulty is to prevent it from arising. In so far as the laying off of employees can be prevented by careful planning and constructive policies put into effect by the individual plant management, by so much will management be spared one of the most painful problems with which it has to deal. Efforts along this line are not new, but the more concerted attempts seriously to attack the problem and to persist until definite results have been accomplished are of comparatively recent origin. They deserve to be better known in order that the methods found successful may be given trial on a wider scale.

The Employment Policy

Since the difficulty which gives prominence to the lay-off problem is a temporary oversupply of labor, the employment policy is logically the point at which to begin efforts to reduce fluctuations in size of working forces. A careful analysis of policy and practice may suggest a number of ways for preventing excessive lay-offs. At times of high activity there is a tendency to overman the working force in order to guard against any shortage of labor. With business moving along satisfactorily this policy is not seriously questioned. Department heads are likely to favor it because it insures a full complement of workers at all times and, particularly if the rate of labor turnover is high, those who hire the labor become accustomed to assuring themselves an ample supply. Only when activity begins to slacken is it fully realized that the working force is overmanned. Only when it is found that a number of men can be dropped without materially inter-

fering with the rate of production is it recognized that they might better have not been employed in the first place.

This loose employment policy is not now as general as it has been in the past. The stricter accounting of the need for man power and the use made of it has tended to make foremen and department heads more careful in requisitioning additional employees, and more insistent upon receiving good producers. Centralized employment control has done much to reduce the employment of unnecessary workers. In plants which have made use of this method its success in preventing the development of a lay-off problem indicates the desirability of its receiving greater attention throughout industry. It has much to commend it. Apart from its value as a preventive of excessive resort to lay-off, it is sound operating policy. It reduces operating costs by keeping down the payroll. It stimulates efficient use of those employees on the payroll and increases the per capita output. And there is not likely to be such a shortage of labor but what, at short notice, the employment manager can procure necessary additions to the force. Furthermore, such centralized control avoids placing in positions which are certain to be temporary, those who otherwise might have secured more permanent employment elsewhere.

Another feature of enlightened employment practice which deserves consideration is the policy followed by some companies of discontinuing entirely the employment of new persons well in advance of an expected decline in activity. This is particularly effective in the case of seasonal variations, but the same policy can be followed with advantage at other times when a period of slackness can be foreseen. Vision is required, together with a knowledge of general business conditions and trends, but an alert employment manager who uses good judgment in this respect can substantially reduce the number of workers whom later it may be necessary to lay off.

Such a policy may even make unnecessary a resort to lay-off. In almost every plant a certain amount of labor turnover goes on continuously. For the most part those who leave are workers recently employed, who have either been found unsatisfactory or dislike some feature of the working conditions. If, when a decline in activity is anticipated,

those who leave are not replaced, except when special skill is required, the working force reduces itself automatically, and if the decline is limited in extent and duration it may be unnecessary actually to lay off any regular employees.

Forecasting Future Conditions

The policy of looking ahead has demonstrated its value in so many fields of business operation that it is natural that industrial executives should try to make of forecasting as scientific and accurate a tool as possible for stabilizing plant activity or, where that is impossible, for being forewarned of impending changes. Various trade indices, while not infallible guides of what to expect, have still proved helpful in understanding certain phenomena which exert a considerable influence on business conditions. Blind faith in these barometers is likely to have consequences as unfortunate as a complete disregard of them, but used with discretion they have proved of considerable help in planning for the future.

The practice of looking ahead and planning soundly for the future has, as an indirect result, the avoidance of wide fluctuations in size of working force. During a period of buoyancy it is not necessary that a possible reaction be discerned on the horizon for the policy of sound planning for the future to bear fruit. The temptation at such a time toward over-expansion can be held within conservative bounds by an examination of past history, of growth over the long swing, which will show what is safe to expect in the future. If expansion can be held to a rate of growth which may reasonably be expected to be maintained, there will be no need, when the inevitable decline sets in, of cutting away a mushroom-like growth to restore the business to health.

Not only the effects of major economic movements, but of conditions affecting the particular industry or the individual enterprise can advantageously be forecast in advance when this is possible. Future demand is always uncertain, particularly in industries where style is an important factor. Underestimating demand for the product will result in the loss of possible sales, but overestimating the market's capacity to absorb the plant's output is likely to mean a temporary expansion in working force with subsequent substantial reductions in personnel as expected sales fail to materialize. This problem of adjusting production to market capacity is admittedly one of the most difficult which management has to handle. The profitableness of the enterprise is largely determined by how well market demand can be gauged or how well the market can be persuaded to purchase the plant's output. Plant operation is either held to a predetermined rate of activity or it fluctuates in response to revisions in production schedules. A working force of fairly constant size is kept steadily occupied or else a period with much overtime is followed by a cut in the force, and perhaps short time for those who remain. Careful budgeting of production requirements for the future has demonstrated its value as a means of smoothing out operating inequalities and by doing so has tended to stabilize employment. While this is only one of its advantages, it is the one which affects most closely the employed personnel.

Interdepartmental Coordination

As plants grow to large proportions, there is a danger that the several divisions or sections, each engrossed in its own work, will lose close contact with the others, particularly if the work of one is not dependent on that of others. Where employment is handled by foremen without a centralized system in charge of an employment manager, employees are sometimes laid off in one department while others are being taken on in another. This may be because conditions in other departments are not known or it may be because those laid off are not qualified for the work available in other departments. If the situation is due to lack of centralized employment procedure, it can readily be corrected, as in many cases it has been. But if the limitations in skill of those laid off is the reason for failure to absorb them in other tasks or in other departments which need additional workers, the most constructive remedy for the situation has been found by a number of companies to lie in the development of greater versatility throughout the working force, since any

system of interdepartmental transfers can be effective only to the extent that employees are capable of performing a variety of types of work.

Training for Versatility

The desirability of transferring the worker rests largely upon his ability to make the change with a minimum of loss to himself and to the company. Unskilled and certain semi-skilled employees may be transferred with little trouble, but in the case of occupations requiring skill or special knowledge, such exchanges can be accomplished only when a contingency of this nature has been foreseen and provided for by teaching the worker a variety of operations in the course of his employment.

For example, an automotive plant has made it a practice to institute frequent transfers so that the workers will know a number of operations. The company reports that this procedure has prevented favoritism, kept workers from "getting in a rut," and brought to light a number of promising men who might otherwise have worked for years without recognition.

Other companies have used the slack period to teach the workers a variety of operations. A significant example is that of a corset manufacturing concern which has been able to provide steady employment for its wage earners by teaching employees all operations. Some time ago, this company found that styles were changing so rapidly that it was impracticable to manufacture for stock, and that all orders must be made up as they were received. Instead of one standard garment, it was necessary to manufacture a number of different ones, and if a girl was capable of performing but one operation she would have employment only about half of the time.

After giving considerable thought to this problem, it was decided to teach the operators the different processes. Some of the workers had been engaged in one operation for ten years or more and the new idea encountered considerable opposition from such employees, who would rather go home at noon and lose half a day than undertake to learn another kind of work. As time went on, the benefits accruing from

the plan became apparent, and resistance to the new procedure disappeared. Employees are taught new tasks during periods of slack business. While they are learning, they are paid $3.00 to $4.00 a day, according to their ability, and when they become proficient enough to earn the prevailing wage, they are put on piece work, making the transition from one process to another without hardship to the worker. Now, practically every wage earner within the organization can make an entire garment. Any employee can be transferred from one department to another as needed, with the result that employment has practically stabilized.

Another instance of the avoidance of lay-off by training workers to perform several operations is found in a candy manufacturing plant, the employment problem of which "formerly was a nightmare." By intelligent control of sales and production, it was possible to concentrate on different kinds of candy at different periods of the year, and the workers were taught to make each kind. As a result, the wide fluctuations in employment have been eliminated, and management is able to offer the workers steady employment throughout the year, with the exception of the midsummer months. This depression is met by asking all employees to take a two weeks' vacation without pay. The company reports that in place of the former violent fluctuations in employment the force does not vary now more than 5% throughout the year.

Of the 157 companies covered in this study which make a practice of transferring employees when possible, 35.7% or 56 concerns reported that they endeavored to teach a substantial number of their workers a variety of operations. All of these companies were convinced of the desirability of versatility in an employee, but the extent to which a formal plan of training had been developed varied greatly among the companies, as might be expected. Training departments, systematic transfer of employees, methodical teaching of other operations during slack periods, have all been used to develop a versatility which would facilitate transfer. Under informal plans, employees are encouraged to learn other operations in the course of their employment, and various opportunities to become more proficient are offered to the

worker. As a result, a number of companies stated that a majority of their employees had received most, if not all, of their varied experience in that particular plant, and transfers between departments seldom presented any difficulties.

Eight of the fifty-six companies training employees for versatility did not attempt to teach them to do work outside of the department to which they were assigned, but within the department each worker was taught all of the operations. By this means, employment has been stabilized to a considerable degree, especially in cases where one process could not be undertaken until another was completed. The overcoming of the necessity for employing extra men to meet sudden emergencies or to substitute for absentees was also listed as an advantage of training for versatility.

Transferring Employees within the Plant

It is difficult to operate a satisfactory transfer system unless the processes are of the same general character, or are of such nature that they can be readily learned in a short training period. Transfers are obviously impracticable between occupations which require training for a number of months or years. Several companies with such a situation reported that a minimum of workers was carried in the maintenance and repair department, and when it was necessary to lay off any workers from their ordinary employment, an opportunity was offered to them in this department to do painting, carpentry and other odd jobs. Eight companies went even further in their endeavor to retain the services of their skilled workers. The common laborers or semi-skilled employees were laid off and the skilled employees were given their places.

Companies in which the type of work and organization will permit the transfer of workers have found that transfers ordinarily will provide for most of the surplus regular employees unless the recession in activity is protracted and severe. For example, a manufacturing company conducting a mail order business considers its transfer system very important, as it enables it to maintain continuous employment for most of the employees. During certain seasons of the year the manufacturing departments are very busy building

up extra stocks to take care of seasonal demands. When the busy season for shipping occurs, especially during the Christmas rush of six weeks, manufacturing is curtailed and many of the workers are shifted from the manufacturing departments to the shipping department. Unskilled workers are chiefly affected by this plan.

Labor Reservoirs

A few companies reporting in this investigation have successfully stabilized employment by creating a labor supply department to meet the demands for additional labor made by the various sections throughout the plant. Instead of hiring extra men for a busy department, or to fill in when the regular employees are absent, a requisition is made against the workers maintained by the labor supply department.

About three years ago a company employing approximately 1,000 workers inaugurated a department which carries a sufficient number of experienced men and laborers to supply the daily needs of the plant, and to this department are sent those who are laid off from the production departments. These men do all the odd jobs about the mill when not occupied in the various departments. When a permanent vacancy occurs in any department, those in the labor supply department are given the first opportunity to qualify for it. Extra men, who formerly would have been laid off, now are sent to Labor Supply to await an opportunity to return to former jobs, or perhaps to be assigned to a new department.

The company advises that this procedure eliminates layoff and hiring costs. It also saves money for the firm, because the departments which would otherwise carry extra men in case of need will under this arrangement keep the men only for the hours needed. Unless an especially skilled employee is required, every new man must go first to the labor supply department, with the promise that as soon as an opportunity presents itself he will be given a position which is satisfactory to him. By this method he is able to get experience in the various departments and to decide which one suits him best, and at the same time any department can try out the worker before accepting him permanently. "The perpetual motion, opportunity to become proficient in many

operations and opportunity to select his job after he has tried it makes it attractive to the worker," the company states. "This procedure also permits the company to study the qualifications of the workers for training in specific work, which could be discovered in no other way."

While doing odd jobs about the plant the worker receives the common labor rate, and when assigned to the different departments is paid the rate of the job. The company states that by means of these transfers, unskilled workers who are assigned as helpers in the various departments are gradually trained for the various tasks and eventually "step in and qualify as expert."

Emergency Crews

Labor supply departments have not as yet been adopted to any great extent by manufacturing companies, but the desirability of especially trained employees who can perform a variety of tasks within the establishment has led in some instances to the organization of emergency crews or "flying squadrons." The most adaptable workers are selected for such a group and given intensive training in the various operations. Ordinarily the workers consider a place on the emergency crew as an honor, quite apart from the fact that the rate of pay is usually higher, as it marks them as being of more than ordinary ability and may lead to further promotion.

The emergency crews are utilized to substitute for absentees and are also assigned to departments having an unexpected rush of work. These crews aid in steadying employment, through the fact that if the departments know they may secure additional help when needed they are not tempted to carry more workers than are necessary, in order to be assured of a full complement at all times.

A successful plan for making the supervisory force elastic provides for the temporary promotion of the best members of the working force to positions as acting foremen during periods of high activity. This plan not only facilitates the assimilation and capable direction of additional labor, but gives the management an opportunity to observe the most deserving candidates for permanent promotion to supervisory positions. When activity slackens, these acting foremen return to their machines until their services in a supervisory capacity are again required.

Complications Involved in Transfers

The transfer of an employee from one task or department to another involves more than his mere assignment to different work for which he is believed to be qualified. Other questions arise, some practical, some psychological, the handling of which goes far to determine how satisfactorily to all concerned the transfer system will operate.

Unless the tasks are very similar or the wage earner is unusually versatile, the transferred employee is likely to suffer a loss in his earning power, at least during the period of readjustment, especially if wages are based upon piece work. In addition, it is not always possible to transfer a wage earner to a task which pays the exact rate which he formerly received. This loss in earning power may result in a feeling of dissatisfaction unless the reason and the necessity for the transfer are made clear, but tactful handling of the situation, as well as a realization by the worker that the alternative is loss of employment, should remove this difficulty. The policies of 117 companies in dealing with the question of wages of transferred employees may be summarized as follows:

Policy	Number of Companies	Per Cent of 117 Companies
Rate of new department paid	73	62.4
No change in rate	14	12.0
Rate adjusted on basis of merit	5	4.3
If transfer is temporary, rate of old department; if permanent, rate of new department	13	11.1
Guaranteed rate while learning new operation	10	8.5
Do not transfer to jobs carrying lower rate	2	1.7
	117	100.0

It will be noted that ten companies guarantee the worker a certain wage while learning a new operation. All of the concerns offering the wage earner this protection pay wages on a piece-work basis, and the guaranteed rate is usually below the wage the worker may earn when he becomes proficient. In a large rubber company, the transferred worker

is allowed the minimum day rate, $4.80 per day, if he has been employed six months. If he has been employed for a shorter period, he is paid at the rate of 35 cents per hour. In one company having an agreement with a clothing workers' union, the transferred worker is placed on a time-rate wage that is equivalent to the average piece-work earnings he had been accustomed to make. In a paper products company having an unemployment fund, transferred time workers are allowed their former rate, but piece workers are allowed from 70% to 100%, according to the employee's rating, of the average earnings for the past six weeks, and the difference between the wages paid and the wages actually earned is taken from the unemployment fund. Until an employee has been rated, he is paid 90% of his average piece-work earnings.

The effect upon morale is an important consideration to be taken into account if a transfer system is to be operated successfully. The sense of security engendered by the performance of a familiar operation is almost, if not entirely, lost if the new task differs materially from the old. New surroundings and different fellow workers are often not a welcome change. The fact that an employee has been selected for transfer, with its implication that he can be most easily spared from his former department, is another factor which may tend to build up a sense of inferiority in some cases or an active resentment in others. If the transfer is accompanied by demotion and reduction of pay, the sense of insecurity and injustice may be intensified in the same ratio. Such a reaction can to a considerable extent be avoided if the employee is shown that he owes his transfer to the fact that the company has a sense of responsibility towards its workers; that if the employer had not taken the trouble to canvass the plant for tasks which the surplus worker might perform, the worker would be required to find another place, with no income during the search.

The attitude of the employer toward transfer also has a decidedly beneficial or adverse effect upon the worker. If a systematic transfer plan exists and employees expect a certain amount of changing about of jobs to meet various emergencies as they arise, a move of this character will be taken

as a matter of course, with very little discussion or ill-feeling. For example, in the experience of the corset factory mentioned previously, when the plan of teaching workers all operations and transferring them as needed was first introduced there was resistance to the idea on the part of the working force. When it became a routine procedure and the benefits to the workers themselves were recognized, the wage earners accepted it and welcomed as a diversion the changes in their tasks. In the same way, the automotive parts company which instituted a plan of systematic transfer experienced no difficulty from an unfavorable attitude on the part of the workers. In fact, the majority of the 96 companies which expressed their views on the attitude of the transferred employees had no complaint to make, as the following tabulation indicates:

Attitude	Number of Companies	Per Cent of 96 Companies
Entirely satisfactory	57	59.4
Satisfactory on the whole, with the exception of a small proportion of the workers	34	35.4
Unsatisfactory	5	5.2
	96	100.0

Although 95% of these companies found no difficulty in the transfer of most employees, cases occurred from time to time when the employee did not take kindly to the change. The causes of dissatisfaction, or the reactions of these employees, were given as follows:

Reaction	Number of Companies
Objection to reduction of rate or demotion	13
Discontented with general conditions in new department	5
Attitude varies as much as if new workers were employed	4
Some workers prefer lay-off to transfer	3
Failure to learn new task	3
Not happy at first, but learn to like new task	2
Want old job back	2
Lack of interest if job is temporary	2
	34

Reduction in earnings or standing is naturally the chief source of dissatisfaction. Unless the skilled worker's need is urgent, his antagonism to his lowered status may manifest

itself in ways which tend to irritate both the foreman and other employees. In two plants, experiences of this nature have been so unsatisfactory that the employer has made it a rule not to make a transfer involving a demotion of any kind. These cases must be regarded as exceptions, however, and not as representative of experience with transfer systems.

Apart from the specific dissatisfaction over demotions, whatever discontent exists seems to have its root in the worker's dislike of change. In a majority of cases he wants his old job back, although a number of companies state that after he has had an opportunity to familiarize himself with the new position, he may like it better and want to stay there. This applies more to the newer employees, however, for the longer a wage earner has been working at one task, the more anxious he usually is to get back to it. A number of companies state that they make it a practice to transfer the employee back to his former position as soon as practicable, and that it is an added source of satisfaction to the worker to know that he is being given all possible consideration.

Special types of labor may introduce complications into the problem of transfers. One company employing a large number of girls stated that if these girls would accept transfer the unemployment problem would be solved. As it is, the employer has been obliged to lay off workers in one department at the same time that he employed new ones in other departments because "it seems to have been the idea of the general run of girls that they can not work anywhere except in one department even temporarily, and a majority of them prefer to be laid off rather than work in another department." One or two companies noted a lack of interest in the new job if it was temporary, as the transferred worker seemed to consider it a holiday, and such an attitude can easily disrupt departmental morale. A warning, followed by more drastic measures against chronic offenders, is usually sufficient discipline for the majority of transferred workers.

Craft unionism also militates against the free transfer of employees among departments in those companies having trade union agreements. Several reported in the survey that such transfers were impossible to effect because each department belonged to a separate union. Even if the agreement is with the so-called industrial union, transfers are often opposed by the workers.

Apart from the occasional unfavorable attitude of workers toward transfer, the objections of foremen must sometimes be faced. When the transfer is only temporary, the head of the department may feel that the trouble of training these employees to be proficient is not commensurate with the temporary advantage to be derived. If he understands, however, that this is a reciprocal arrangement, and that at some future time he may benefit by the plan, he is very likely to cooperate to the best of his ability for the general good of the organization. Only a few of the companies replying to the inquiries of the Board complained of the foreman's attitude toward transfers.

The final impression gained from a study of experience with interdepartmental transfer systems is that for recessions of limited severity these plans, particularly when their foundation has been laid in training for versatility, offer management an excellent means of retaining desirable employees and smoothing out employment fluctuations. That some have had unfortunate experiences only emphasizes the fact that subtle psychological factors are involved which must be taken into account and handled carefully, and that conditions may exist in some plants which do not lend themselves to the successful operation of transfers. However, even employers whose experience had not been entirely satisfactory indicated that in their belief the advantages to both management and employees outweighed the disadvantages.

Reducing the Working Schedule

In the event that it is necessary, for one reason or another, to reduce production, this result may be accomplished in a variety of ways. One method is to reduce the working force to the point where the employees who remain are just sufficient to produce the desired output with full-time operation. An alternative method is the retention of the whole or most of the existing working force and the distribution of the available work among them on some equitable basis. If the recession is comparatively slight, this may be accomplished

by a small reduction in working hours per week; in the event of a severe depression, working hours may be cut to a half or less of the normal work week and all may work during the time available, or the force may be divided into shifts so that normal hours are maintained with a rotating personnel.

Consideration regarding which of these alternative plans is preferable brings up both economic and social questions. Is it more advantageous for the management to operate full time with a skeleton force or part time with a full force? Are the best interests of employees served by their retention on the payroll although earnings can only be a fraction of normal, or by retaining only those who can earn regular wages and forcing others to look for other employment which may secure for them a larger income than if they had been retained on a part-time basis? Which method offers the less serious problem to the community?

Of course, the answers to these questions are strongly affected by a number of factors, such as severity and duration of the depression, size and character of the community, relative ease or difficulty of obtaining competent labor when needed, availability of alternative opportunities for employment. Some companies may have special reasons for wishing to keep their working force intact as long as possible; in other instances, particularly in the case of "single industry" towns, the management may feel a certain obligation to provide at least some income for as many employees as possible. It may in some cases be advantageous to have the plant operating full time, with at least some employees to be able to care for the quick delivery orders; in other cases, most economical operation may require that the plant be fully manned for whatever time it is to be operated. Both methods may be used by a company. The least desirable employees may be laid off as an initial expedient and, later, hours of work may be reduced to provide for a further slackening in demand for the product.

Forty-two companies, or 21% of those which indicated their policy on this question, reduced the force before interfering with the working schedule. Of these, seven stated that the nature of the work made it necessary either to run

the plant continuously or to shut down; fourteen laid off the undesirable and inefficient employees first; six felt that it was unfair to the older employees to share the work equally, and released the more recently employed workers before shortening the hours; two companies laid off both the inefficient and the newer employees before a general reduction of plant hours was considered, while two other companies believed it a better policy to give a smaller number of workers full-time employment than to offer the normal force part-time employment.

More than three-fourths of the companies which furnished information considered it advisable, as a general practice, to distribute available work as nearly as possible equally among the personnel before considering a serious reduction in the working force. Particularly in the absence of other local industries which could absorb the surplus labor, employers were found to be reluctant to deprive any great number of employees of their entire weekly income. It was felt that the least distress resulted when all shared in the shorter hours of work and consequently reduced income. There is also the advantage of having the complete working force available when activity is resumed.

Some companies have found this division of work unsatisfactory for the reason that the most desirable employees are usually the most ambitious, and if part-time operation is too long continued these employees seek other work where they can earn more. As a result, after a protracted depression the company may find itself with a residue of the least competent workers when more active operation is resumed. One company aptly described this situation as "the survival of the unfit."

The extent to which the work-week can be safely reduced without creating a hardship to the workers or breaking down morale depends mostly upon local industrial conditions, but from the present survey some indications of the limits of its usefulness may be ascertained. There is a comparatively wide range of opinion as to how far the work-week can be shortened before a reduction in personnel must be effected. A majority of the companies stated that prior to a reduction in the working force the work-week is usually reduced to

four days, or, if hours are shortened rather than days, to between 70% and 80% of normal. In a few instances the companies said that hours could not be reduced more than half a day without creating an unfavorable reaction, while on the other hand the experience of some plants was satisfactory even though the work-week had been reduced to three days.

The manner in which the hours are reduced depends in a large measure upon the nature of the work and local conditions, but it appears to be the general practice of the companies reporting to eliminate Saturday morning first, because of the saving in operating expenses. If this reduction does not curtail production sufficiently, many companies prefer to discontinue operation on another full day, because of savings in overhead cost, rather than to shorten somewhat the working hours of each of the five days. Some companies, however, prefer the latter expedient. It is the feeling of a number of companies that a drastically curtailed working schedule should not endure more than three or four months, and that if conditions have not improved by that time the force should be reduced sufficiently to provide full time for all remaining employees. It is the belief of the chief executive of a large company that the cause of a prolonged strike which the company suffered was directly traceable to the management's attempt, during a period of depression, to apportion available work among the entire working force. Had the company made drastic reductions in the working force, this executive believes, those who remained would have been contented. As it was, the entire force was dissatisfied and lent a willing ear to the assurance that they could better their lot by means of labor organization.

In case of seasonal industries, a number of companies allow wage earners unlimited overtime during periods of activity instead of expanding the working force, with the idea that the overtime pay more or less equalizes the lower wages received during the dull season. Two furniture companies with a busy season during the fall and winter and a depression during the spring and summer have found this practice of particular value in holding their permanent force together and in recompensing the wage earners for the seasonal dullness, inasmuch as they can make double and triple their average pay during the period of activity.

A meat packing plant, where shipments of livestock are received irregularly, is subject to wide variations in the work day, but in order to safeguard employees against excessively long or short hours due to fluctuations, the company guarantees forty hours' pay weekly and gives overtime at the rate of time and one-half for work over ten hours per day or fifty-five hours per week. The normal work week is forty-eight hours.

In the endeavor to overcome fluctuating employment, a large railroad company in 1922 put into effect in its maintenance forces a working schedule providing for elasticity to meet changing conditions and requirements. The operation of this plan may be best described by quoting from the booklet of "General Rules" prepared for employees:

> "As continuity of employment is of the first importance, a day of from eight to ten hours shall be considered a working day, it being believed that this will largely afford protection against both seasonal and economic fluctuations, as follows:
>
> "The hours of the working day for each point shall be posted by bulletin at each point, and shall be eight hours during slack time and until a day of this length is so bulletined, no reduction in force will be made.
>
> "As business improves, the day may be lengthened to nine and ten hours, but no new force shall be added until ten hours is the bulletined working day."

In the eight years of experience with this plan it has not been found necessary to lay off a single individual because of fluctuation in business activity.

Rotation of Employees

Instead of shortening the plant hours, it is the practice of some companies to maintain the scheduled hours, but to rotate the employees, giving each a half-week's work, alternating weeks of idleness and work, or some other equal division of time. The system of rotation is not as prevalent as the shortened plant hours because of certain technical obstacles which are difficult to overcome.

Of the 151 companies reporting that they shortened hours

before laying off employees, 123 or 81.5% preferred curtailment of plant hours, 17 or 11.2% preferred to rotate employees, while 11 or 7.3% used both methods in combination. Rotation of employees was found particularly desirable when the depression affected but one department. In fact, rotation appears to be particularly adapted when departments within the organization are out of line as regards activity.

Among the advantages derived from rotating shifts instead of shortening plant hours are the following: the plant is open during the regular hours to provide for any emergency; the worker has a longer unbroken time available for his personal use; it is easier to maintain the scheduled production. The disadvantages of rotation, however, are also important and often outweigh the advantages; such division of work can be accomplished satisfactorily in only certain kinds of tasks, and when the different operations are on individual motor-driven machines; it is often difficult for one man to pick up the job where the other left off, and it is almost impossible to place the blame for spoiled or defective work; if a week or more of idleness intervenes between working periods, the workers become very much dissatisfied. Because of these difficulties the rotation of shifts to curtail production is employed by only a small minority of the companies reporting in this survey.

Vacations

Under the subject of shortened hours as a substitute for lay-off may be included vacations, either with or without pay. The practice of shutting down a plant for a week or two for stock taking and repairs during recurring seasonal slack periods is well known. Unless wages are paid for this period, however, it may be considered in the same category as a temporary lay-off or reduction in hours.

As a substitute for a shut-down vacation, other companies have asked different groups of employees to take vacations during a depression. If the dull period comes in the summer, a certain percentage of the workers, especially the young workers and those without dependents, are often glad of the opportunity to rest or to have a change. A few companies

along the seaboard stated that a number of their young women liked to take the entire summer off to work in summer hotels. Of the 228 companies that reported regarding their methods of meeting curtailment, seven made use of shut-down vacations, five requested that the employees take vacations without pay, while one company employed a system of vacations with pay.

Methods of Reducing Seasonal Variations

Seasonal variations in business activity are an important cause of intermittent employment. As shown in Chapter I[1], 56% or seventy-six of the 136 companies that assigned reasons for general lay-offs in 1927 gave seasonal variations as the cause, while only 37% or fifty-one firms attributed the lay-offs in that year to general business conditions. This is the more significant since in 1927 a business decline occurred which gave rise to considerable concern regarding the extent of unemployment, and yet the companies covered mentioned seasonal fluctuation more often than general depression of business as the reason for laying off employees.

Industries have been experimenting with a number of plans for eliminating or substantially reducing the extent of seasonal variations during recent years. Some have succeeded to the point of guaranteeing from forty to fifty weeks' work in a year to all employees who have satisfied a certain service requirement. Most companies have not been so completely successful but have made genuine progress. There is no universally applicable formula for accomplishing this end, but most of the plans which have produced results fall under one of three main headings. The plans of sixty-nine companies covered in this study which were definitely endeavoring to overcome seasonal variation were divided among these three types of effort as follows:

Manufacturing for stock during dull periods	41
Diversification of product	14
Increasing demand during off-season	14

Manufacturing for stock during dull periods when production would otherwise have to be curtailed is obviously the

[1] See page 10.

most general method of smoothing out seasonal irregularities of operation. The success of such a proceeding, however, depends upon certain conditions. The commodity manufactured must be generally standard and not liable to sudden changes because of style or similar factors. Otherwise a company might at any time find itself stocked up with a commodity difficult to move. The product must be one which can be stored for considerable periods without deterioration. Adequate warehousing facilities must be available. This matter is considerably simplified if the commodity is of a size and compactness which lends itself to economical storage. The financial condition of the company must be such that it can afford to tie up the necessary funds in inventory. And, finally, statistics of the company's past operations must be available and capably interpreted in order that the management may not commit itself to a more extensive accumulation of stock than is safe and justified.

As a partial solution of the warehousing problem, some companies have encouraged dealers or retailers to place orders during the slack season. Goods may be delivered at any time but invoices are dated ahead so that customers are not required to pay for their consignments any sooner than if they had waited until the beginning of the busy season to place their orders. This procedure prevents finished goods from piling up on the manufacturer and assures their availability to the dealer for sale at any time.

Manufacturing for stock has been accomplished even with highly perishable food products. For example, one company, packers of dates, found through scientific experiment at what temperature dates could be stored for a considerable period without deterioration. A cold storage plant was then erected in which the shipments of dates received during a comparatively short season can be preserved until withdrawn for packing. As a result, a generally uniform force of packers can be maintained the year around in place of the greatly augmented force formerly necessary for irregular periods. A more uniform demand for the product has also been stimulated through extensive advertising of an educational character.

A number of companies that manufacture a variety of

products make it a practice in the slack season to manufacture for stock staple articles for which there is a dependable and steady demand, concentrating on special and seasonal products during the busy months. Other companies specialize on replacement parts and repairs during the slack reason. A few reported that this dull time was utilized to bring out new models and to make up samples for salesmen.

Manufacturing for stock is impracticable, however, for many concerns. In a number of such cases diversification of product has been used as a means of equalizing production. The extent to which such a policy may advantageously be followed varies according to circumstances. If the supplementary product is closely allied to the standard line, there will be fewer difficulties to overcome than if the manufacture of an entirely new article is contemplated. An ideal arrangement provides for the addition to the company's line of an article for which the seasonal demand dovetails into the peaks and valleys of the standard product, and for which the existing machinery and working force can easily be made available. Sometimes such products have been determined upon only after extended investigation, while at other times suitable products are readily at hand.

For example, a company manufacturing crackers, cookies and fancy cakes was formerly obliged to lay off a large number of workers before Christmas and during the summer months because of a seasonal decrease in demand for its products. Since it was generally known that such variations in employment existed, the company had difficulty in securing an adequate working force, except when there was a general labor surplus. The effect of this condition upon plant morale was bad, and the management sought means for improving the situation by correcting basic difficulties. To fill in the depressions it was decided to manufacture Christmas candy at Christmas time and ice-cream cones during the summer. The existing machinery and personnel were easily adaptable to these products, and, as a result of the adoption of these two lines and a more intelligent planning of production and sales quotas, the company now offers almost continuous employment, with a negligible number of lay-offs due to seasonal variations.

Diversification of product is probably more certain to succeed if the supplementary "filler" is of the same general type as the main line, unless the company can afford to make extensive experiments. For example, a textile company specializing in tire fabric has gone into the finer grades of drapery and dress goods and extensive use of rayon, achieving a comparative freedom from seasonal variations. A paper company is continually experimenting with all types of paper novelties, both for household and business use and for personal adornment. A number of examples of this nature could be cited in which diversification has proved successful.

One method for overcoming extreme seasonal variation which is available to almost any concern is concentrated sales effort to stimulate consumption of the product during the off-season. New uses which are calculated to extend the season of demand for some products have been discovered and widely advertised. Consumption habits or customs are no longer taken for granted or considered unchangeable and every effort is made to extend purchase of the product over the entire year. This may be accomplished by price reductions during the off-season, as is done by the anthracite coal industry to induce householders to stock up during the summer months, or the date of payment may be advanced, as has been done in the retail fur trade, to encourage summer purchasing.

Several companies with seasonal fluctuations in activity stated that they maintained steady working forces throughout the year, but to meet the demands of the busy season they employed extra workers who were not entirely dependent upon the wages received. If the increased activity came in the summer, a few companies hired school boys and girls for the summer vacation. Others employed married women who were glad to add to the family's income and yet desired to devote themselves to a task outside the home only intermittently. If it is necessary to hire for temporary tasks workers who desire steady jobs, most of the concerns make it a practice to notify the new worker of the probable duration of the task so that there will be no danger of misunderstanding or disappointment when he is laid off.

What has been accomplished in the way of stabilizing employment by materially reducing seasonal fluctuations in demand for the product represents a distinctly constructive step. While the conditions under which some companies operate lend themselves more easily to such expedients as manufacturing for stock or the rounding out of the production schedule, it is evident that in a number of companies where ready-made solutions for the problem of irregular activity have not been available these managements have not been deterred from attacking the problem and ultimately finding a means of at least improving conditions.

Irregularity of employment, with what it implies of operating conditions, has been found to be unsatisfactory from the standpoint of management, as well as a hardship to the employees, who can not rely upon a regular income. The fact that the interests of both will be served by greater stability of operation and employment is the best assurance that this problem will continue to receive serious study.

CHAPTER III

LAY-OFF PROCEDURE

IN spite of efforts to reduce the unevenness of plant operation there are likely to be times when good judgment requires that the working force be reduced by laying off a certain number or proportion of employees. (At one time this was done simply by releasing the designated number of those workers considered least valuable to the company.) Such a selection may or may not have actually resulted, since the (foreman's judgment was likely to be influenced by personal feelings.) But in recent years this simple formula has been somewhat complicated by the fact that industrial management has been acquiring social consciousness, a feeling of obligation under certain circumstances to its working force and to society. (Laying off employees is beginning to be regarded as the final resort instead of the first and most obvious way to retrench, and a carefully worked out procedure is generally followed when it is necessary to reduce the working force.)

This chapter deals with the technique which is being developed as a result of management's growing reluctance to continue the rather hit-or-miss methods of dealing with the problem of laying off employees which appeared adequate in an earlier period. (Consideration is given to such questions as: qualifications influencing the retention or lay-off of an employee, delegation of authority for selection of persons to be laid off, lay-off with or without advance notice, efforts of companies to secure alternative employment for superfluous workers, retention or loss of seniority rights upon re-employment, and treatment of the veteran employee.)

Qualifications Taken into Consideration

In the event that a reduction in working force is necessary, two main considerations face the employer in making his

selection of employees to be laid off. (Of course, the welfare of the business is the paramount consideration) and other factors that may be taken into account must be subsidiary to this leading requirement. But a (growing realization of the social effects) as well as the effect upon business itself, of extensive unemployment, which may be the cumulative result of small reductions in plant working forces, has led the managements of many concerns to take into account other factors which do not bear directly upon individual efficiency. If the efficiency and desirability of an employee are outstanding, there is no argument about his being retained, (but there are other cases where the choice between individuals is not so clear cut and in such cases the decision may be swayed by such other factors as length of service, family conditions and number of dependents, and probability of securing alternative employment.) To indicate what considerations actually are taken into account by management in determining which employees shall be laid off when the working force must be reduced, the factors cited by 193 companies and the number of times each factor was mentioned are shown in the table on the next page.

The relative frequency of repetition of the several considerations is a fair indication of how generally each of these qualifications is taken into account when the pruning process is found necessary. (Workmanship, which in general represents value to the company, quite naturally stands out prominently as a major consideration, but it is slightly exceeded in number of times mentioned by length of service, while more than a third of the companies represented in this table take into account the marital condition of the individual and the number dependent upon him.) A more detailed analysis of how management is balancing these various considerations against each other in arriving at a decision on the unpleasant question of which workers can be released with the least inconvenience and hardship may be enlightening.

(A considerable difference of opinion was found to exist on the relative importance placed upon workmanship as contrasted with length of service.) One group of employers based their decisions primarily upon the productive value of the employee while another group stressed seniority, feel-

Factors Considered in Lay-Off	Number of Companies	Per Cent of 193 Companies
Competency		
Workmanship[1]	156	80.8
Skilled workers retained even for unskilled jobs	8	4.1
Ability as leader	8	4.1
Versatility	4	2.1
Character		
Loyalty	19	9.8
General conduct	13	6.7
Reliability	6	3.1
Willingness to cooperate	2	1.0
Service Record		
Length of service	159	82.4
Attendance	23	11.9
Accident record	1	0.5
Social Factors		
Marital status and number of dependents	73	37.8
Permanent residence	12	6.2
Financial condition	8	4.1
Age	8	4.1
Physical condition	5	2.6
Lay-off married women	3	1.6
Ability to find other work	3	1.6
American citizenship	1	0.5
Miscellaneous		
Employees living in company houses	2	1.0

[1] Includes general efficiency, quality and quantity of output, and all factors making up satisfactory production records.

ing that long service conferred a claim for special consideration. Of 152 companies, sixty-five stated that workmanship received the greater emphasis and sixty-seven reported that length of service was the first consideration, while twenty gave equal weight to both. But whichever may be considered the more important factor, the other, as a rule, also receives serious consideration. Thus, companies which single out for lay-off the least competent workers give preference for retention to those with the longest service records, and concerns which follow the rule "the last man hired is the first laid off" make an exception if the newcomer is of unusual ability.

The point at which length of service should first be given serious consideration is a matter upon which opinions differ. In most plants there is a probationary period, whether it is

explicitly understood to be such or not, when a new employee is on trial. During this period notice of dismissal is customarily not necessary and a man's connection with the company may be terminated at any time if he fails to meet requirements. However, a high degree of manufacturing activity or a shortage of labor, or both, may result in the temporary retention of some workers who under normal conditions would have been promptly dropped. When activity slackens and a reduction in force is in prospect these not quite satisfactory employees with a short term of service are naturally the first to go. A number of concerns reported in this investigation that when manufacturing activity slackened in 1927 it was unnecessary to go beyond this first step.

When, however, the personnel has been reduced to what might be termed the permanent force, the weight given to length of service tends to increase with the number of years in the employ of the company. A few of the large companies, where it is more difficult to judge each case on its individual merits, have made definite rules as to the point at which the service record shall begin to overbalance efficiency as the determining factor in the retention of employees. One corporation employing approximately 60,000 employees states:

> "In general, we do not recognize any material obligations to continue a man in employment due to the first ten or twelve years of service, because most men come to us in their twenties and if they have not qualified as desirable men for regular employment in their middle thirties it is pretty good evidence that they are in the wrong line of business and will be better off elsewhere. If their service with us has been fifteen or twenty years, we make great efforts to continue them in our employ."

Six other large companies reporting in this survey have set a definite limit to the period which shall entitle a man to consideration on the basis of length of service by specifying that the worker shall have been employed for a stated interval before seniority overbalances efficiency as a factor, as follows: one company, twelve years' service; two companies, ten years' service; and three companies, five years' service.

Although, in theory, a company may hold that efficiency

should be the only consideration taken into account in lay-offs, the strict observance of this rule is often difficult, especially when, because of previously inadequate records or because age or physical condition has reduced his capacity, it is discovered rather unexpectedly that a long-service employee is below standard as a producer. In such a case the employer is in a dilemma, for a lay-off may seem unjust when length of service is considered, but to retain such a worker in preference to another with a shorter record of service but of greater capacity places a handicap upon efficient operation. As a result of following the line of least resistance, length of service may be a determining factor even when it is not intended that it shall enter into the matter, for, as an executive in a large company, whose practice it is to base lay-offs on efficiency, stated: "It is probable that in numerous cases the more efficient are let out instead of the less efficient, primarily because the latter have long service."

A number of companies believe that by retaining the long-service employees they are automatically keeping the more valuable employees. Others, while recognizing the value of length of service as a contributing factor, are of the opinion that "it (length of service) can not be paramount or it would result in a working force of superannuated employees, and employees whose production is of indifferent quantity and quality."

In a number of instances seniority overshadows all other qualifications. One company has adopted a policy whereby, when it becomes necessary to let out older employees from a particular department, a list of jobs most recently filled throughout the factory is made up and the long-service workers are given an opportunity to bid in one of these positions, if qualified.

Viewed from the worker's standpoint, so far as this can be judged by the attitudes of labor unions, it is found that the same difference of opinion exists as to how much weight should be given to seniority. The railroad unions in the main insist upon seniority rights in the distribution of work, whereas some other unions demand equal work for all regardless of seniority. Several companies having agreements with

a clothing workers' union reported in this survey that the number of employees remained constant at all times, and, as one stated, "even where the department is obviously overmanned it is a matter of considerable negotiation to get rid of surplus workers."

Seniority as the sole basis for determining lay-offs is open to several criticisms. It puts a premium on length of service at the expense of ability and thus has a tendency to lower the general level of efficiency. It penalizes the able worker on account of a qualification over which he may have had little control, and chief emphasis is placed upon a passive virtue rather than upon constructive qualities making for good workmanship. On the other hand, it is in the nature of a reward for long service, improving morale by begetting a feeling of confidence and stability. At the same time it acts as a spur to management to see to it that those of limited capacity are not permitted to continue as misfits in the organization, but that those who acquire long service are the workers who deserve retention.

Measurement of Employee's Value

In the present study the foreman's estimate of the individual was found to be the most universal method of appraising the employee's value to the company, as only about 10% of the reporting companies utilized formal rating systems or individual production records when considering, on the basis of their relative efficiency, which employees should be laid off. In spite of the general dependence of executives upon the foreman's opinion exclusively, the existence, even to a limited extent, of carefully planned rating systems is significant of the desire to substitute as nearly as possible a scientific and impartial judgment of individuals for one which inevitably contains a large element of personal reaction. Not that the foreman's opinion is ignored by these rating systems. On the contrary, the foreman's estimate plays a large part in all of them, as it rightly should, but it is verified and checked against other sources of information. A few of the outstanding employee rating systems merit rather detailed description.

One company employing about 60,000 workers has developed a plan under which every employee is rated yearly by at least two, and preferably three, persons. The wage earner's worth is evaluated first by his immediate supervisor, secondly by the department superintendent, and thirdly by someone in the wage department. In order that the basic standards by which employees are judged may be comparable, the company issues a form to guide the supervisors in arriving at the ratings, which are combined for each worker and entered on the records of the Industrial Service Department.

When it becomes necessary to release employees, those in the lower grades are selected for lay-off and taken in order of undesirability, giving due regard "to time of service, number of dependents, whether or not they live in the town where the factory is located and miscellaneous items including any knowledge which may be obtainable regarding the relative embarrassment to the individual and the community."

The two forms used by this company in rating employees are reproduced below. Form 1 contains instructions to be followed by supervisors in making up the rating. From this it will be seen that the employee's worth to the company is dependent on the quantity and quality of his work, dependability and versatility. Form 2 shows the combined

FORM 1: GUIDE SHEET TO BE USED WHEN RATING EMPLOYEES ON FORM 2

Each employee should be rated *A*, *B*, or *C* on each of the four following qualifications and the ratings recorded in the columns under *Ability*.

Quantity of work	Quality of work	Dependability	Versatility
A Has very large output	*A* Accurate and thorough	*A* Can be relied on at all times	*A* Is qualified to follow several different lines of work
B Does required work	*B* Needs occasional checking	*B* Generally reliable	*B* Might be used elsewhere in the Department
C Does just enough to get by	*C* Inaccurate and careless	*C* Can not depend on him	*C* Can be used only on his present type of work

FORM 2: RATING SHEET

Dept. ..... Section "B" ..... Date ..... January ..... 19 28 ..... Rated by .....

Name	Pay No.	Year of Birth	Married or Single	No. of Dependents	Resident or Non-Res.	Occupation	Term of Service: Total	Term of Service: Continuous	Ability: Quantity of Work	Ability: Quality of Work	Ability: Dependability	Ability: Versatility	Remarks
	22337	'95	M	2	Res.	Bench hand	15	12–14–12	A	A	A	B	Very good on heavy bench and floor work.
	22450	'68	M	3	"	" "	22	10–28–12	A	A	B	C	General bench hand but best on bearings.
	22500	'88	M	3	"	" "	18	10– 5–09	A	A	A	C	Good all around bench hand, best at scraping bores in armatures.
	22326	'62	M	3	"	Radial Drill Press	21	1–10–06	B	A	A	C	Drill press only. Very accurate.
	22372	'00	S	1	"	" "	4	2– 8–23	A	A	B	B	Best on radial drill press; good on floor and bench work. Handy man.
	22471	'77	M	4	"	" "	21	2–24–06	B	A	B	C	(1) Specialist on radial drill press only.
	22496	'73	M	1	"	" "	27	2–17–00	B	A	B	C	(2) Specialist on radial drill press only. Very good on small work.
	22490	'96	S	0	"	" "	4	1923	B	B	B	C	Large work only.
	22415	'72	M	1	"	" "	14	3–29–16	A	A	A	C	Repetition work only.
	22373	'84	M	2	"	Engine lathe	20	8–17–17	A	A	A	A	(1) Very good on all kinds of engine lathe work.
	22303	'72	M	1	"	" "	18	7–16–09	A	A	A	A	(2) All around machinist; expert on engine lathe; leader and instructor.
	22319	'83	M	3	"	" "	22	9– 6–05	A	A	A	A	(3) Good all around engine lathe. Expert shaft finisher.
	22427	'66	M	1	"	" "	38	Aug. '89	A	A	A	B	(1) Exceptionally good on large engine lathe work.
	22350	'76	M	3	"	" "	10	8– 7–17	A	A	A	B	(2) General work.
	22454	'80	M	1	"	" "	14	6–18–13	B	A	A	B	All around engine lathe work; can do very well on turret lathe.
	22495	'84	M	2	"	" "	4	5– 7–23	A	A	A	C	Specialist on engine lathes; good on jobbing work on lathe.
	22515	'79	M	3	"	" "	35	1–13–13	B	A	A	C	Specialist on medium size engine lathe.
	22374	'84	M	8	"	" "	18	7–13–10	B	A	B	C	(1) Specialist on small engine lathe work only.

rating card made out for a group of employees. It contains, in addition to the rating, information regarding the employee's age, marital status, number of dependents, residence, occupation, length of service and special remarks regarding ability.

A somewhat similar rating card, Form 3, is used by a company of 700 employees which manufactures agricultural implements. These slips are filled out shortly before the beginning of the mid-summer seasonal slack in activity, "permitting us to use fairly good judgment as to whom shall be laid-off," according to the company. While even in the first year the blank is of great assistance to management, its value increases thereafter, as the foreman does not have an opportunity to compare the slips from one year to another, unless he has retained copies, and consequently each rating is a check on previous ratings. If the employee has worked in several departments and been rated by the foreman or supervisor of each, the feeling seems justified that the rating is "liable to be just about right."

An interesting rating card based upon a numerical weighting of desirable qualities is used by one company, which employs about 2,500 workers, not only in selecting employees for lay-off but for transfers and promotion. It will be noted from this card, Form 4, that intelligence, industry and quality of work are considered of equal importance, each being given a maximum weight of 20 points out of 100. Conduct, health and trustworthiness count a maximum of 10 points each, while attendance and tardiness combined are also given 10 points.

In this particular case seniority does not greatly influence the employee's rating, the company advising that the relative weight given to efficiency and to length of service is approximately eight to two.

A large metal working establishment believes in rating employees at regular semi-annual periods. Regularity is insisted upon in order that ratings may be made under normal conditions and not be influenced by an impending lay-off. The characteristics upon which employees are rated, together with the weight given to each, are: quality, forty-five; quantity, thirty-five; attendance, twelve; disposition,

FORM 3

LABOR AUDIT

Name .....

Occupation .....

Local Address.....Tel. No.....

Perm. Address .....Tel. No.....

CHARACTERISTICS

CHARACTERISTICS	Exceptional	Above Average	Average	Below Average	Poor
Quality of work					
Quantity of work					
Dependability					
Willingness					
Safety attitude					
Character					

Disposition.....

What qualities interfere with his progress.....

.....

Physical condition.....

Additional information.....

.....

.....

.....

Would you re-employ in your Dept.....

Audit given by.....

Date.....1929.

FORM 4: REPORT ON EMPLOYEE

PERSONNEL DEPARTMENT **REPORT ON EMPLOYEE**

The following is recommended with reference to Date_____192

NAME	Dept.	Reg. No.
Describe Work		

Release

.....Quit	Last day here.....192 Hour.....
.....Dismissed	Desirable to re-employ?
.....Laid Off	All Company property, tools, etc. returned to.....
	Owes.....Co.? | Medical

Change Rate to $.....beginning.....192
Present Rate $.....in effect since.....192

Transfer to.....Dept. beginning.....192

Reason:

.....
Dept. Head

.....
Dept. Mgr.

.....
Personnel Manager

ESSENTIAL QUALITY RATINGS

Rate with reference to one's particular job.
Indicate rating with an X in proper space under each quality.
Underline Strong qualities. Circle Weak ones. Add figures opposite the Xs to get rating in points.

INTELLIGENCE: Natural capacity of intellect. Acquired skill of experience, mental alertness, initiative, judgment.

Dull 8	Fair 12	Good 16	Excellent 20

INDUSTRY: Energy applied to work day-in and day-out without being urged. Accomplishment, interested effort, ambition, stability.

Lacking 8	Fair		
Lazy 8	Spasmodic 12	Good 16	Excellent 20

QUALITY of work: Freedom from error, attention to detail. Satisfactory results, efficiency.

Poor 2	Fair 12	Good 16	Excellent 20

CONDUCT: Proper department, cheerful obedience, co-operation, loyalty, good habits.

Undesirable 4	Fair 6	Good 8	Excellent 10

ATTENDANCE: Being on the job regularly. Good attendance record

Poor 2	Fair 3	Good 4	Excellent 5

TARDINESS: Record as to being on time.

Poor 2	Fair 3	Good 4	Excellent 5

Past month's record: Absent.....Days. Tardy.....Times

HEALTH: Physical fitness, strength, endurance, appearance, personal neatness.

Unfavorable 4	Fair 6	Good 8	Excellent 10

TRUSTWORTHINESS: Truthfulness, fairness, sincerity, honesty, worthiness of confidence.

Unreliable Poor 4	Fair Doubtful 6	Good Reliable 8	Excellent 10

PROSPECTS

Poor	Fair	Good	Excellent

Total Points.....

GENERAL

Poor.....Fair.....Good.....Excellent.....

eight; making a possible total of one hundred points. The rating is done entirely by the foreman, since the management believes that this method is most satisfactory. An interesting feature of the system is that the foreman is required to show his rating to each individual under his supervision and explain his reasons for any rating which the employee thinks is unjust. This provision makes it possible for each employee to know what his rating is on the records of the management and to take steps to improve points in which his rating is low.

When the cards are filed they are flagged with different colors to distinguish between three groups of ratings, those between ninety and one hundred points, those between seventy-five and ninety, and those below seventy-five. Flags also indicate length of service and versatility. This system permits a quick grouping of employees of comparable ratings, as for example, those with less than five years' service whose ratings are under seventy-five points. Furthermore, the flags serve as a check on the foreman, since if his employees show an unduly large proportion of high or low classifications he is called on to explain how he happens to have so large a proportion of the good or poor men in the plant.

A textile company having about 2,000 workers rates each employee semi-annually. This rating is based on the combined judgment of the Service Department, the superintendent's office and the room foreman, and covers length of service, physical condition, age, attendance record, efficiency, quality of work, willingness and ability to cooperate with room management. Cooperation is considered of substantial importance in making these ratings, which result in the rankings of excellent, good, fair and poor.

Three different files are kept for each employee. The rating does not appear on the regular employment card, which contains a considerable amount of information, but on a rating sheet made out for each department and listing employees numerically. Cards are also made out by occupation. For example, in the event that it is found necessary to lay off winders, the occupational cards for winders are taken from the file and compared with the rating sheet. All winders listed as poor or fair are noted and the regular em-

ployment cards are examined for information on home conditions. Normally, those rated as "poor" are eliminated from that occupation, but if domestic conditions indicate the advisability for further analysis, those graded as "poor" in other branches are also taken into account, and a possible transfer may be effected which will make possible the retention of the poor winder by displacing some other employee of low ranking who can better afford a period of unemployment.

Rating sheets are made out semi-annually in duplicate. After the foreman has made his entries, one copy of his ratings is checked by the mill superintendent's office, while the other is checked over by the Service Department to see if there are any changes from previous gradings, in which case further check through every possible way is made to establish the legitimacy of the new rating.

Another rating system devised by a textile company for guidance in laying off employees, as well as for other purposes, is designed to place all employees on a comparable basis for measurement of worth. This plan, which provides for quarterly revisions in ratings, gives a maximum credit of twenty-five points each for quality and productivity, twenty points each for length of service and attendance, and ten points for citizenship, making one hundred the maximum number of points. Length of service credits range from one point for two months to twenty points for twenty years, while deduction may be made if service has not been continuous. Credit for attendance begins with one point for 50% attendance and is graduated up to twenty points for perfect attendance. Quality and production credits are based upon the requirements of the individual job. Either one of these factors may be omitted when there is no authorized scale of measurement, and the employee's rating is then equal to the sum of his ratings, divided by the sum of the points for 100% performance in the qualifications which it has been possible to measure.

Citizenship, which is a somewhat unusual factor to be taken into account, is allowed a maximum of ten points and covers six qualifications. The distribution of points is shown on the next page.

	Points
Taxpayer in town or resident for five years	2
Citizen of United States	2
Voter in town	2
Ability to speak English	2
Ability to read English	1
Ability to write English	1
	10

In addition to a possible maximum of 100% covering the five major factors described above, an additional twenty points may be given for versatility and ten points for conduct.

The distinguishing feature of these rating plans is their attempt to place employees on a comparable basis and to base ratings of employees upon carefully determined judgment. The records which are maintained and periodically brought up to date necessarily involve considerable work, and for this reason many companies have felt that the advantages of such systems do not justify their expense. However, although their use is so far confined to a comparatively few companies, they represent a serious attempt to place the judgments of individual employees upon as impartial and accurate a basis as is possible.

Considerations other than value to the company are frequently taken into account when designating employees for lay-off. Next in importance to workmanship and length of service is the marital status and family situation of the employee. If an employee is single and perhaps living at home, or is a married woman working to obtain extra income, a lay-off may impose little or no hardship. But to a worker with a family, who finds it difficult, even when regularly employed, to meet his living expenses and perhaps accumulate a small surplus, the loss of a job may be a serious matter, particularly if other plants in the vicinity are also reducing their working forces. Therefore, with the broader social viewpoint which is becoming a feature of modern industrial management, the problem of the employee as well as the needs of the management are, to an increasing extent, being taken into account. In the present study it was found that seventy-three, or about 38% of the 193 plants reporting on this question of policy, considered the family responsibilities

of the employee worthy of special note in deciding upon persons to be laid off, and to eight others the individual's financial condition is a matter of moment.

The weight given the marital status varies. With some concerns it is a leading consideration, overshadowing seniority and anything short of exceptional competency, while in other concerns it is simply one of several factors considered. Forty-seven, or about two-thirds of the plants which mentioned this as a factor to be considered in deciding upon lay-offs, give it some consideration, but it seriously influences the decision only when efficiency and length of service are approximately equal, or it may be relegated to an even more minor place in the scale of importance. On the other hand, twenty-six concerns regard an employee's family responsibility as a matter deserving special consideration. Of course, it would seem unfair to retain a recently employed married man who had yet to prove his value to the company in preference to a single man with a long service record. Therefore, in place of a hard and fast rule, a flexible arrangement is more likely to be found, providing that single employees of recent employment shall be released first, newly employed married men next, and finally, if the severity of the depression is sufficient to require that some employees of longer service be dropped, the married man is again given preference for retention. The same thought is responsible for the policy of three companies which have ruled that the married woman shall be the first to go when curtailment becomes necessary, unless it is found that she has persons dependent upon her for support.

Such characteristics as good attendance, loyalty and general excellence of conduct are stressed by between thirteen and twenty-three companies. This does not mean necessarily that more companies do not take these qualifications into account, but these companies single them out for special emphasis. In eight concerns special preference is given to skilled employees, in the belief that persons without particular skill can be replaced when needed but that the retention of the skilled personnel is necessary for the rapid resumption of manufacturing activity when conditions justify it. Therefore, when semi-skilled and unskilled

workers are laid off, they are replaced by superfluous skilled labor. In some instances this has been carried to the point of having skilled employees sweeping floors at their regular rate of pay in order to retain their services until such time as they are needed on production work. The same purpose is behind the policy of eight companies which make a point of keeping men who give promise of future development into key men or leaders, and of four other concerns which lay stress upon versatility as a qualification which makes the retention of such employees desirable.

The variety of considerations which have been shown as figuring in management's decisions with regard to individuals to be laid off leads to certain quite definite conclusions. It is evident that decisions of this character are approached with a very keen sense of responsibility both to the company and to the employees under consideration. Management's prerogative to terminate the employment relationship at any time is exercised sparingly and with discretion. Data and comments furnished for this study by industrial executives bear evidence of the most scrupulous intent to be fair. The criteria which determine the retention or release of individual employees may differ widely, but the application of those criteria in individual cases is made with a sincere desire to do justice.

Furthermore, the careful thought which is given to this question of laying off employees is evidence of the social mindedness of management today. The time when the employer thought of his acts as affecting his business alone seems to have passed. The feeling of responsibility for the influence of each company's actions upon the general condition of business and upon the community, which is becoming increasingly apparent, probably grows out of the recognition that industrial isolation is a thing of the past and that business enterprises have become interdependent. If it is true that consumer buying power must be maintained if business is to prosper, then every worker whose source of income is cut off represents one unit of buying power which is temporarily suspended. If these cases become sufficiently multiplied, industry and trade are likely to feel the effects, since the ramifications of this decline in demand are widespread. Con-

sequently, industry as a whole appears to be trying to keep within as narrow limits as possible the number of workers who are dropped from their employment.

And, finally, growing out of management's desire to be fair and to confine lay-offs to the most necessary cases, are coming the means for making decisions with as nearly scientific accuracy and impartiality as is possible. These employee rating systems are not sufficiently common to justify their being considered anything like prevailing practice, but their use is more likely to increase than to diminish because their value is being found to extend to all the contacts between management and employees, as well as being particularly helpful at times when a reduction of working force is necessary.

Administration of Lay-Off Procedure

The administration of lay-off procedure has a considerable bearing upon its smooth operation. In the main, two opposite viewpoints influence the attitude of employers in the delegation of authority to lay off workers. One group believes that since the foreman is intimately associated with the workers under his supervision, he is best qualified to administer the lay-off policy of the company. These companies accordingly make no provisions to review the decisions of the foreman in laying off workers, depending entirely upon his ability to follow out the general policy, his appraisal of the comparative value of employees and his knowledge of other conditions which influence decisions. In the present report, 63 companies out of 175, or 36%, stated that the administration of the lay-off procedure was exclusively in the hands of the foreman or department head.

Another point of view is represented by employers who maintain that while the foreman is the most authoritative source of information regarding the ability of workers under him, he is nevertheless liable at times to err in his judgment, or to allow his personal feelings toward the individual employee to influence his administration of lay-off procedure, and although in most of these companies the foreman is still the person primarily responsible for selecting the workers to

be laid off, his tentative selections are subject to review by one or more of his superiors. The following table, based on replies from 175 companies, shows the persons responsible for deciding which employees shall be laid off:

Persons Responsible for Selection	Number of Companies	Per Cent of 175 Companies
Foreman[1]	63	36.0
Foreman and personnel manager	33	18.9
Foreman and superintendent	29	16.6
Foreman, superintendent and personnel manager	15	8.6
Superintendent	11	6.3
Personnel department	7	4.0
Foreman and general manager	4	2.3
Foreman, personnel manager and general manager	3	1.7
Foreman, general foreman and superintendent	2	1.1
Superintendent and personnel manager	2	1.1
Other combinations	6	3.4
	175	100.0

[1] Includes department heads.

This statement indicates the importance of the foreman in at least the preliminary selection of employees to be laid off. In fact, in all but twenty-four of the companies which furnished data, the tentative selections originate with him. The review of his designations, when such action is required, usually rests with the superintendent or the personnel manager. In some cases, the names suggested by the foreman must be passed upon by the superintendent; in others, 19%, the personnel manager must approve the foreman's selection, while in a smaller group of companies, 9%, the foreman, personnel manager and superintendent must agree before the selection of the employees to be laid off becomes effective. As a matter of fact, in 90% of the companies reporting on this phase of the lay-off problem these three members of the supervisory group, either singly or in combination, are entirely responsible for the selections for lay-off.

In a number of companies the foreman has the right to drop any workers he desires from his department, leaving it to the personnel department to find work for them in other departments or else to lay them off. In several companies, however, this right is suspended where conditions throughout the plant become such that surplus workers from any one

department can not be absorbed by means of transfers within the plant. Under these circumstances the superintendent or personnel manager must be consulted before lay-offs are considered.

Ordinarily the lay-off selections of properly designated authorities are final. Several companies, however, have definite provisions for appeal by the employee in the event that he feels that he is being discriminated against. In one company employing about 16,000 workers the list of employees selected for lay-off is made up by the production supervisor and referred to the Personnel Department, whose duty it is to see that the company policy is being carried out. The individual selected for lay-off may appeal his case either through the Personnel Department to management or through his representative in the works council. In another company, where lay-offs are based on a composite rating system, the employee may ask a review of his case by the Service Department, which, if new evidence is disclosed or it develops that injustice has been done, may reverse the decision. The company reports that usually the original decision is adhered to. In two companies covered, the lay-offs are discussed with the works council in session before they are put into effect.

Notification of Lay-Off

It has been found by the reporting companies that the manner in which the lay-off procedure is handled is an important factor in determining the attitude of the suspended employee toward the company and, to a lesser degree, that of the workers who remain. If the necessity for reduction in personnel is made clear, and the individual's status and chances of being re-employed at a later date are frankly discussed, there is much less likelihood of bad feeling than if employees are laid off abruptly, without being notified as to the reason, or whether or not they would ever be re-employed.

The duty of notifying the employees who are to be laid off rests almost exclusively with the foreman and the employment department, as did their selection for lay-off. Analyzing the responses of 139 companies which replied regarding

the responsibility for notification, it is found that the practices of these companies are as follows:

Procedure	Number of Companies	Per Cent of 139 Companies
Notified by foreman	68	48.9
Notified by foreman, interviewed by employment department	34	24.5
Notified by employment department	33	23.7
Notified by superintendent	4	2.9
	139	100.0

In the companies in which the foreman notifies the employee of lay-off and refers him to the employment department for further interview, it is the usual practice of that department to review the entire situation with the worker to be sure that he understands the conditions and does not feel that he has been the victim of unjust discrimination. In a number of plants the employment department interviews only those employees whom it is desired to re-employ when additional employees are needed, leaving the notification of unsatisfactory employees entirely in the hands of the foreman. Only two companies stated that notification of lay-off was handled through posted notices.

Length of Lay-Off Notice

A majority of the companies covered in the investigation believe that the worker should receive an advance notice of impending lay-off, although the survey disclosed wide variations in the practices of the different concerns. The duration of the notices, when given, varied from one-half day to one month. In answer to the question, "How much advance notice is usually granted?" replies were received from 163 companies.

From the following tabulation it will be noted that the companies replying are divided into two general classes: about one-third of the concerns do not advise employees of the lay-off in advance, while over two-thirds do give advance notice. It will also be observed that the length of many of these notices is flexible. Under such plans the company fixes a minimum number of days which must elapse between notification and lay-off, and then if business conditions permit

Length of Lay-Off Notice	Numer of Companies	Per Cent of 163 Companies
No advance notice	48	29.5
½ day to 2 days	1	0.6
1 day	4	2.5
1 to 3 days	1	0.6
3 days	10	6.2
4 days	2	1.2
5 days	1	0.6
1 day to 1 week	3	1.8
2 days to 1 week	2	1.2
3 days to 1 week	5	3.1
1 week	45	27.6
10 days	2	1.2
1 to 2 weeks	5	3.1
2 weeks	7	4.3
1 to 4 weeks	3	1.8
2 to 4 weeks	1	0.6
1 month (general shutdown)	1	0.6
As much notice as possible	22	13.5
	163	100.0

the longer advance notice is allowed. Twenty-two companies do not attempt to put a definite limit upon the duration of lay-off notice, but acquaint the worker as soon as it is known that his services must be dispensed with temporarily.

The largest single group of employers who give any advance notice allow one week before lay-off. If all companies granting from one day's to one week's notice are included in one group, it is found that 44.8% of the concerns fall into this classification, while 8.6% allow between one and two weeks' notice. Another 3% grant from one or two weeks' to one month's notification before lay-off.

A few establishments differentiate between the types of lay-offs. If a shutdown of the department or plant is contemplated, the workers are notified from two to four weeks in advance, whereas if the lay-off applies only to the individual, the period is shortened to two or three days. Several concerns fix the length of the notice according to the employee's length of service. For example, one firm lays off without an advance notice workers with less than three months' service, but if the employees have had from three months' to one year's service, one week's notice of lay-off is given. The period is increased to two weeks for wage earners who have been with the company longer than one year.

A number of companies maintained that formal advance notices are unnecessary because workers are nearly as cognizant of business conditions as is management. One company, whose operations are largely dependent upon conditions of a river, reported that the workers leave and return almost automatically, as they can tell by the level of the water approximately when their machines will shut down and start up again. Other firms stated that the workers can tell by the flow of production through their departments when a lay-off is due. Some concerns covered in the survey reported that the depressions often could not be foreseen, and that it was impossible to give an advance notice of lay-off.

Attitude of Employees Designated for Lay-Off

The fear of an unsatisfactory attitude on the part of the employee designated for lay-off was mentioned by many employers as a reason for not granting advance notices of lay-off. It is claimed by some employers that the worker loses interest in his task when he knows his employment is nearing the end, with consequent lowering of productive efficiency, or that he will leave immediately if he can find a position elsewhere, making it necessary at times to hire temporary workers to complete the work in hand. A few companies claim that the worker will sometimes vent his malice in active sabotage, resulting in material damage to the employer's property. In practice, however, these fears do not appear to be borne out. If employees have consistently received fair treatment and if the worker is taken into management's confidence sufficiently to understand the necessity for the step taken, his reaction, as a rule, is not found subject to serious criticism.

In answer to the question "What is the attitude of the laid-off employee, toward the company in general and his work in particular, during the period between time of notification and suspension of employment?" experiences were reported by 95 companies which made a practice of giving advance notice of lay-off.

In addition to the companies tabulated below, four establishments found their experience with workers scheduled for lay-off to be so unpleasant that the practice of giving advance

Attitude of Laid-Off Employee	Number of Companies	Per Cent of 95 Companies
Entirely favorable	69	72.7
Generally favorable, with a few exceptions	16	16.8
Unfavorable		
Reduced production	4	4.2
Generally unfavorable	4	4.2
Employee wishes to leave at once if other plants busy	2	2.1
	95	100.0

notice was discontinued. Two of these concerns stated that enough damage to plant property had been done by disgruntled employees about to be released to make it advisable not to notify workers of their suspension until the end of the day on which they were laid off. Another concern found that employees, after notification of lay-off, "reported alleged accidents of such a nature as would necessitate prolongation of the period of their employment" and "this occurred so frequently that we have adopted a policy of not giving notice until cessation of employment is actually commenced."

Apart from these few unfavorable experiences, the general attitude of laid-off workers has been found by most employers to be such as to warrant continuing the practice of granting advance notices. From the above tabulation it will be noted that practically 90% of the companies reporting on this phase of the lay-off problem have been entirely satisfied. Even those who have noticed a slowing down of production have not considered it of such proportions as to warrant discontinuing this practice. There are, of course, a few individuals in all organizations who would take advantage of such an opportunity to "soldier on the job," but most companies believe it better to deal with individual cases of this character than to deprive other employees of the opportunity provided by the advance notice for making necessary adjustments before the lay-off actually occurs. Accordingly, a few companies settle the question as to whether or not an advance notice shall be given according to the individual employee. If he has been an indifferent worker, not particularly interested in his work even under ordinary circumstances, no notice is given.

Employers whose experience with laid-off workers has been satisfactory stress the fact that their wage earners understand the situation and have "full confidence in receiving fair treatment both as to actual selection and promise of future employment." Often the conditions are such that all are aware of an impending necessity for reduction in personnel. If the work is seasonal in character, many companies make sure that the workers when hired understand that there is a probability of their being laid off at the end of the busy season, and these employees are, accordingly, expecting a lay-off notice.

Several factors influence the attitude of the employee during the period covered by the advance notice. In the first place, if the concern has the reputation for paying satisfactory wages and provides a desirable working environment, the employee is anxious to return, especially if the lay-off promises to be of short duration. He therefore will not allow his work to suffer. In fact, several companies reported that the desire to leave a favorable impression resulted in an increase rather than a decrease of production on the part of employees designated for lay-off. This situation is attributed by some employers to the hope of the employee that the company may reconsider its decision and retain him.

Plant discipline is often sufficient to maintain normal production during the period covered by the lay-off notice. In a number of companies employees know from past experience that if they do not maintain their ordinary pace of production during this period they will be summarily discharged, regardless of the lay-off notice. Concerns in which wages are based upon piece work often experience a sudden spurt in production during this period, as the piece workers wish to earn as much as possible to help tide them over a period of idleness.

Dismissal Wage

When for any reason it is impossible to give an advance notice of lay-off, twelve companies make it a practice to give the laid-off worker the wage which he would have received had he worked out the period usually covered by the lay-off notice. In four companies, three days' average pay is given in lieu of a suspension notice, while in seven concerns one

week's average wage is allowed. One company permits the worker to choose between a two weeks' notice or a bonus of two weeks' pay.[1]

A large rubber company employing about 16,000 workers has an unusual provision in its lay-off policy. All suspended employees receive the same amount if it is impossible to furnish them with work during the three-day advance notice period. This amount is based upon the minimum wage of $4.80 per day, and accordingly each employee to whom a three-day notification of lay-off can not be given receives $14.40 as a dismissal wage.

An interesting example of the financial provisions made for laid-off employees by a company forced because of an over-expanded condition to dismiss, perhaps permanently, a fifth of its personnel, is reported by a textile plant employing about 750 workers. The list of employees selected for lay-off by the personnel manager and the foreman was submitted for approval to the Board of Directors, with full details of each employee's ability, responsibilities, length of service and other pertinent data. The Board of Directors voted to take from an employment reserve fund enough money to pay two weeks' wages to each one selected for lay-off. Inasmuch as it was nearing vacation time, an additional week's pay was allowed in place of a vacation. A profit-sharing distribution for a six-months' period, which was due about that time, also added between two and three weeks' pay to the amount received. Thus, each employee was granted from five to six weeks' wages when he was laid off, with the further promise of the sum to which he would be entitled in the event of another profit-sharing distribution at the close of the year.

Another kind of dismissal wage was agreed upon between Hart, Schaffner & Marx and the Amalgamated Clothing Workers. A radical change in the cutting of suits greatly decreased the demand for cutters, who were working only about two days out of three under the union agreement of equal distribution of work. In 1926 the union finally agreed to the dismissal of some of the cutters, provided each one who left should be paid $500, part of which was borne by the unemployment fund and the remainder, or about four-fifths

[1] Dismissal wages for veteran employees discussed on pages 68–69.

of the amount, by the company. This dismissal wage was given to 236 cutters, some of whom were selected for dismissal by the company while others volunteered to go.[1]

An English company, Messrs. Rountree, of York, England, also had a number of superfluous workers because of installation of more efficient machinery. In this instance, however, a number of alternatives were offered. In the first place the company, instead of giving the workers a dismissal wage, offered to pay £2 ($9.73) per week for a year to any suitable concern which would hire one of these surplus wage earners, with the proviso that these men should receive a minimum wage of £2 15s ($13.38) a week. Approximately half of the surplus men were between fifty and sixty years of age, and were given a pension of $6.08 a week. The company also offered to give an employee who wished to go into business for himself a capital sum of £104 and in addition give him every possible assistance in starting the business, with the result that of the thirty-three men who set up in business, only two were not successful.[2]

Securing Employment for Laid-Off Employees

Some companies make special efforts to assist laid-off employees to find other employment. The employer is ordinarily in a far better position than the worker to judge the condition of the labor market in his locality and to know which companies, if any, are employing additional workers. If the duration of the lay-off promises to be protracted, many employers endeavor to aid worthy employees to find at least temporary employment. To the question "Do you attempt to find positions for the employees to be laid off?" 119 companies gave the following replies:

Policy	Number of Companies	Per Cent of 119 Companies
Try to find positions for all laid-off employees	22	18.5
Try to find positions for worthy or older employees	33	27.7
Advise of any positions they know of	16	13.5
Do not try to find positions	48	40.3
	119	100.0

[1] United States Bureau of Labor Statistics, *Monthly Labor Review*, "Absorption of Discharged Men's Clothing Cutters into Other Trades," October, 1929, p. 187.

[2] *Ibid.*, "A New Method of Placing Displaced Men," p. 190.

It appears, therefore, that in 60% of the companies which furnished information on this point some attempt is made to help employees to find alternative employment, and in nearly half of these companies this endeavor takes definite, organized form. Of course, if the lay-off is expected to last only a day or two, no attempt is made to secure work for the employees.

A number of interesting experiences in securing employment for workers whose service must be dispensed with either temporarily or permanently were reported in this survey. It was the practice of a food products plant having a seasonal depression beginning about the first of November and ending about the middle of January to find other employment in advance for all employees who could not be carried through the slack season. Fortunately, the busy season in a number of concerns in the vicinity coincided with the slack period in this plant, and by telephoning to these plants the employment manager was able to place most of the workers. In addition, department stores were glad to secure the services of the girl packers to wrap bundles during the Christmas rush. The company stated that most of the desirable workers reported back for work when the busy season started. In effect, a community labor reserve has been created which provides for the fluctuating requirements of different enterprises, and apparently without excessive hardship to workers who compose this mobile force.

When, in 1927, a rather general change in models resulted in diminished productive activity in the automotive industry, a plant manufacturing automobile parts found it necessary to lay off over a thousand workers. In some instances whole departments were shut down, but no worker with ten years' service was laid off. Positions were found in service stations and garages for sheet metal finishers, and men doing similar work. A number of companies employing skilled mechanics reported a system of exchange. If one concern had mechanics who could not be utilized at any particular time, they were taken over by some neighboring company for the time being with the promise that as soon as they were needed they would be returned to their original jobs. Another establishment stated that, at times, employees without

family responsibilities are advised of possibilities of finding employment in another city where a shortage of workers in their lines is known to exist.

In securing positions for laid-off employees, the companies reporting in this survey worked mostly in cooperation with other plants in the vicinity. The employment managers were ordinarily well known to each other and kept one another advised as to possible lay-offs or increases in personnel in their respective plants. The local manufacturers' associations or chambers of commerce conducting labor placement bureaus were also utilized to place laid-off employees. But for the most part the employment manager was relied upon to help the worker find another position, either through active solicitation of all possible sources or merely by acting in an advisory capacity, notifying the worker of companies known to be taking on employees.

Of the 40.3% of companies which do not try to obtain positions for laid-off employees, a number stated that when their businesses are in a depressed condition other local concerns are usually also dull and are not taking on any additional personnel.

Return of Laid-Off Employees

When normal activity is resumed, an employer is naturally anxious to secure again the services of former employees whose work has been satisfactory. Such wage earners are valuable, since it is unnecessary to give them the special training required by new employees, and they are familiar with plant conditions and requirements. The worker also is glad, as a rule, to return to familiar surroundings, particularly if he has not been able to place himself more advantageously in the meantime. The desirability of the old task also increases with the length of service. It has been found that if there is a chance to return in a short time the older employee hesitates to look for a new position in which he would be obliged to learn new habits and accommodate himself to new surroundings and practices.

The availability of former employees when business conditions warrant the taking on of additional wage earners appears to vary with the duration of the lay-off and with

local conditions. For example, several textile mills which had undergone protracted depression reported that when their business revived they were greatly handicapped by the fact that many of their experienced workers had moved from the city. Ordinarily, however, a company which provides most of the opportunities for employment in a small town will experience comparatively little trouble in recruiting its force to full strength from former employees. But factories in busy industrial communities where other concerns are calling for more workers may find quite a different situation. In such communities, the former employee who has secured relatively stable employment is not likely to consider returning to his previous position unless assured that conditions which brought about his release have changed materially, and that his chances for stability of employment are greater than in the work in which he is then engaged.

It is the practice of many companies to make an organized effort to re-hire all former employees who were satisfactory. It is made clear to the employee, when laid off, whether or not he may expect to be called back when business revives, and the approximate duration of the lay-off, if this can be foreseen with any degree of accuracy. A list of satisfactory wage earners is kept in a preferred file, and no new workers are considered until all of those included in this list have been given an opportunity to return. Several companies, upon notification of lay-off, issue a furlough card to the worker, similar to Form 5 giving the general rules governing return to the firm's employment.

FORM 5

.....Corporation

Inactive Roll Notice

1. Your name has been placed on the inactive roll and you will be advised when to report to work.
2. If you report to work within four days of the time designated, you will obtain your seniority rights.
3. Please bring this notice with you for identification.

Employment Department.

.....Corporation

While different factors may have brought about the result, the percentage of employees who return after a lay-off is fairly large, at least in the 81 concerns which gave information on this point. In reply to the question: "What proportion of the suspended employees return to the company when it resumes full-time operation?" the following results were shown:

Employees Returning After Lay-Off	Number of Companies	Per Cent of 81 Companies
Large number (% not specified)	16	19.7
Majority	5	6.2
90% to 100%	15	18.5
80% to 89%	6	7.4
70% to 79%	12	14.8
60% to 69%	5	6.2
50% to 59%	9	11.1
30% to 39%	2	2.5
20% to 29%	2	2.5
Varies according to duration of lay-off	5	6.2
Few return	4	4.9
	81	100.0

It will be noted that in over 80% of these companies a substantial proportion of workers who had been laid off returned when they were recalled. It should be remarked, however, that this investigation dealt primarily with the year 1927, and the business recession that occurred in that year was not protracted. If the period of low activity had been prolonged, the percentage of workers who returned might have been considerably less. It was the experience of a number of reporting companies that in case of a short suspension of from two to four weeks, the percentage of returns was very high, while if the depression extended over a period of months a very small percentage of former employees returned.

Retention of Seniority Rights

The circumstances under which the worker returns to the organization is of importance both to the employer and employee, especially if the company has inaugurated benefit plans, such as pensions, group insurance and bonuses, which are affected to a considerable extent by length of service. A majority of employers reporting on this phase of the lay-off problem felt that seniority should not be affected by a

lapse in continuous service over which the employee had no control. They accordingly considered the service of such employees as unbroken if certain conditions were complied with. About one-fourth of the companies, 27.7%, did not make allowance for the time lost through lay-off, but only counted the time actually worked. Sixteen companies reported that they treated the returning worker as a new employee, ruling that service should date from the last employment.

The 112 companies which answered the question, "How is the service record of returned employees calculated?" reported the following practices:

Effect on Service Record	Number of Companies	Per Cent of 112 Companies
Count Actual Time Worked		
Without restrictions	21	18.7
In return in reasonable time	1	0.9
If return in six months	2	1.8
If return in 1 year	6	5.4
If return in 2 years	1	0.9
	31	27.7
Count Service as Continuous		
Without restrictions	26	23.2
If return in short time	3	2.7
If return as soon as called	7	6.2
If return in 4 days after called	1	0.9
If return in 2 weeks after called	1	0.9
If return in 3 months	1	0.9
If return in 6 months	12	10.7
If return in 1 year	4	3.5
If return in 2 years	1	0.9
Unless considerable time has elapsed	2	1.8
If old employee	2	1.8
Varies with length of service	2	1.8
Given leave of absence	2	1.8
Keep up group insurance	1	0.9
	65	58.0
Count as New Employee	16	14.3
	112	100.0

Several companies had drawn up a schedule of allowances for computing the amount of time lost because of lay-off. For example, in one automobile manufacturing company, employees with less than one month's service are allowed one month's lay-off without loss of continuous service credit; employees with less than two months' service are allowed a

two months' lay-off, while employees with three months' service and over are not penalized for a lay-off which is under three months in length.

In the case of pensions, interruptions due to lay-offs resulting from reduction of the force are not usually counted as a break in the service.[1] A number of companies also pay the group insurance premiums during the lay-off period, provided the suspension of employment is not unduly prolonged. A malleable steel casting company reported that at one time group insurance premiums were kept in force for more than 300 men during a period of over ten months' enforced idleness, and that "it was quite a help in getting men back from more than ten states in the Union." While in some companies the insurance is allowed to lapse if the lay-off is of long duration, reinstated workers are given the same amount of insurance they would have received had they been continuously employed..

Unemployment Insurance

While on the inactive roll, the worker does not ordinarily receive any pay from the company. During the past twelve years, however, a few concerns in this country have developed a form of unemployment insurance, although the movement has not reached a stage where it is of much industrial significance. At present there are known to be ten companies, employing 13,000 workers, which are operating plans of this character on their own initiative. These are of an experimental nature and accordingly there appears to be no set form which they have followed. Each is different in the matter of eligibility, monetary benefits, period of participation and funding.

Four unemployment funds, two of which are on a contributory basis, have been created by employers and trade unions in cooperation, with a coverage of about 65,000 workers. It appears, therefore, that about 80,000[2] wage earners are included under various types of unemployment

[1] National Industrial Conference Board, "Industrial Pensions in the United States," 1925, p. 75.

[2] Bryce M. Stewart, "American Experiments with Unemployment Insurance," *Survey Graphic*, April 1, 1929, p. 57.

relief, which constitutes a very small proportion of the total number of wage earners in the United States.

The Problem of the Veteran Employee

It has been pointed out in a previous section that, in companies covered by this investigation, seniority is one of the two leading considerations taken into account when it is necessary to lay off employees. This indicates a tacit recognition of an obligation or feeling of responsibility for the worker who has remained in the employ of the company over a considerable period of years. It is realized that the worker advanced in years may have considerable difficulty in obtaining new employment because of an apparently increasing preference for younger employees, and consequently every reasonable effort is made to retain him in some capacity or other.

This apparent tendency of industry to endeavor to provide uninterrupted employment for its older workers, even at the expense of younger and perhaps more vigorous wage earners, is further substantiated by the responses of 117 companies to the question "In case it becomes necessary to lay off an employee with a comparatively long service record, is special consideration shown him?" Of these 117 concerns, fifty-four, 46.2%, stated that the older workers ordinarily are not laid off, while only eleven, or less than one-tenth of the companies, do not differentiate between the old and new employees when it is necessary to include them in the lay-off. In the remaining fifty-two firms special consideration is shown to the long-service employee when it is necessary to lay him off, but the extent to which the wage earner is aided varies greatly among these concerns, ranging from a longer advance notice than is usually given, to provisions for a dismissal wage or a pension for employees who have fulfilled certain requirements.

An analysis of the replies of these fifty-two companies regarding their treatment of the older workers when it becomes necessary to dispense with their services shows a variety of practices, some companies reporting more than one form of special consideration.

Policy	Number of Companies	Per Cent of 52 Companies
Recall to work first	20	38.5
Try to secure positions for them in other companies	10	19.2
Give dismissal wage	9	17.3
Give pension under certain conditions	9	17.3
Give long advance notice	7	13.5
Give special consideration	5	9.6
Continue group insurance	2	3.8
Participate in unemployment fund	2	3.8

In a number of instances several of these alternatives may be considered in laying off an employee, dependent upon his length of service, physical condition or marital status. However, practically all of these companies consider the lay-off of the veteran employee as a last resort, not to be considered until all attempts to place the worker in some position within the plant have failed.

It will be noted that nine companies, 17.3%, give a dismissal wage to long-service employees when laid off. In six of these companies, these are granted on the basis of merit and vary in amount according to the needs and worth of the individual worker. In the other three companies there is a scale of benefits determined by the length of service.

One company employing about 70,000 workers, which has both a pension plan and a relief plan, has adopted a further system of cash settlements for veteran employees who can not be transferred to other work and who do not come under either of the above plans. Such workers are given a dismissal wage of one week's salary for each year's service "in order to give the terminating employee a stake that would help to tide him over a period of readjustment." The company reports, however, that such cases have been rare, but in each instance in which the method has been employed the response from the employee has proven the wisdom and justice of the policy.

Another company, which also has pension and benefit plans, gives a dismissal wage in special cases where a drastic curtailment affects the older and long-service men who are over the maximum hiring age or have physical defects which make it difficult for them to secure employment elsewhere. In such cases, when the worker is not eligible for pension, the following schedule, applicable only to permanent lay-

offs, is utilized. If the employee is forty-five years of age but less than sixty, and is found upon examination to be in good physical condition, he is granted two weeks' notice and four weeks' full pay provided he has had at least five years' service, and up to twelve weeks' pay for fifteen years' service. If the employee is between forty-five and sixty years of age and has a physical defect which would make it difficult for him to secure a position elsewhere, he is allowed two weeks' notice and a week's full pay for each year of service. An employee of sixty years of age or over comes under these same provisions regardless of his physical condition.

Similar dismissal wages are granted by a tire and rubber company employing about 16,000 workers. When it becomes necessary to lay off a veteran worker permanently, either because of physical condition or change in methods, employees with five years' service are given one month's pay as a "Long Service Award," which is increased to two months' pay for ten years' service. If an employee with fifteen years' service should be included in such a lay off he would receive individual consideration, but there have not as yet been any such cases.

Nine of the 117 companies reported that they also take into consideration the possibility of pensioning the long-service workers who are slated for permanent lay-off. Of these companies, seven put the whole matter on the basis of individual merit, while two have formal pension plans, the provisions of which must be met before a pension is granted.

It is the practice of seven companies to give older workers a longer advance notice of lay-off than is customary. The extent of this notice varies from one week to one year.

While the managements of most of the companies covered in this study express themselves as generally satisfied with the practices or systems which they have devised for handling the problem of laying off employees, the more progressive of these employers go deeper into the difficulty, and question the necessity of the recurring situations which require a reduction in working force. Laying off employees is quite generally considered as "always painful and unsatisfactory to all concerned." These employers regard the seasonal or cyclical fluctuations in activity as a fundamental weakness

of our business system which economic and industrial research and progressive management policies should, and ultimately will, largely correct. In a few instances a belief was indicated that periodic lay-offs serve the useful purpose of purging the working force of dead wood. As expressed by one employer: "It is difficult to train the average foreman to get rid of a man who is not quite sizing up. If ordered to lay off a certain number, these are the ones selected." In such a case, however, it might be questioned whether the management was not using the lay-off as a weapon to correct a condition which should never have been allowed to exist or to become aggravated so that its correction must come at the worst possible time for the employees concerned and for the community.

CHAPTER IV

CONCLUSION

THE analysis of lay-off procedure and of the various expedients for making lay-off unnecessary has demonstrated that the policy of indiscriminate discharge of employees, whenever circumstances seem to require a contraction of the working force, is no longer the general policy of American industry. Experience has shown that such a policy is costly to the employer, since it contributes to increase his labor turnover and requires the training of new employees when active operations are resumed. It likewise serves to intensify the social problem of unemployment during periods of business recession. For these and other reasons, American employers have developed various plans for dealing with necessary reductions in labor forces. Some of these plans are designed to establish rules for the selection or treatment of those employees whose services are no longer required. Others are aimed at lessening or eliminating the necessity for reducing the working force. The procedure in either case exemplifies the fact that, save in special cases, the laying off of employees is coming to be regarded by American industrial management as an expedient of last resort rather than as the first and simplest method of readjustment of employment to any slowing up of business activity.

A reduction in the working force of an industrial establishment is likely to be the result either of a recurring seasonal decline of operation or a more general business recession independent of any seasonal factor. While in both cases the problem of the employer is fundamentally the same, since steps must be taken to adjust output to demand, the policy of management in dealing with the situation is likely to be influenced by the character of the business retardation. If seasonal, its duration can be forecast with reasonable accuracy on the basis of past experience. Consequently,

the policy adopted to deal with a condition of temporary over-supply of labor will differ from that applied when a long period of business recession is anticipated.

In seeking a remedy for the difficult labor situation brought about by seasonal fluctuations, the logical method would appear to be an attempt to remove the cause of the difficulty, or at least to moderate its consequences. Attempts of individual managements to accomplish this result have met with varying degrees of success, influenced, in part, by the character of the seasonal element. Some industries, like fruit and vegetable canning, are dependent upon weather for raw materials that mature during certain periods of the year and must be used immediately. Other industries manufacture commodities that are in demand only at certain times of the year; still others, able to dispose of their product throughout the year, may find the demand for it during certain periods considerably in excess of the demand during the remainder of the year. Every management that seriously intends to reduce the effect of seasonal factors in its operations must, therefore, first analyze the characteristics of its business, with a view to determining which of various procedures would seem best adapted to its own particular problem.

The most common method of regularizing plant operation is to determine in advance the probable amount of output which will be required over a year, and then to distribute its production fairly evenly over the twelve months. This plan requires: (1) that statistical data and persons capable of making effective use of them be available, in order that production demands for a year in advance may be forecast with some degree of accuracy; (2) that style factors should exist only to a degree which would not produce sudden changes in demand and make the stock already manufactured practically valueless; (3) that the product be of such a character that it may be stored for weeks or months without deterioration; (4) that the product, by its size and nature, lend itself to economical warehousing; (5) that warehousing facilities be available at reasonable cost, or that warehousing arrangements at points of distribution can be made with dealers or distributing agents; and (6) that the financial position of the concern be such that it can afford to tie up

the capital involved in inventory for a period of weeks or months without embarrassment. If these conditions can be met satisfactorily, management is in a position to give serious consideration to the advantages and disadvantages of this method of regularizing employment and plant operation.

Another method for securing the same result of regularized business activity is by diversification of product. It is not often that two types of the same product or two different products can be advantageously manufactured so that the seasons of production will exactly dovetail. However, this ideal condition is not necessary to make a plan of this character result in a marked improvement over former conditions. In some cases suitable supplementary products or by-products have been readily found as a natural development of the business, but in many instances intensive research and experimentation have been necessary in order to discover suitable products, which would have their periods of high and low demand in substantially reverse order from those of the main product, would be susceptible of economical manufacture with the existing equipment and personnel, and could be distributed through familiar trade channels. The last requirement is, however, not as necessary for success as are the first two, and totally different products have sometimes been utilized advantageously for the purpose of regularizing business activity. Yet, unless the first two conditions are substantially complied with, the primary purpose of adding a new commodity to the production schedule will not have been accomplished. Only an intensive analysis of the possibilities of plant and equipment adaptation, and an exhaustive study of markets, can justify the conclusion that relief from marked seasonal production through diversification of product is not feasible.

An expedient for preventing seasonal declines from becoming so pronounced as to require a substantial reduction in the working force has been found by some managements in intensive advertising and sales effort. Such procedure, while applicable to some extent in almost any business, can be more effectively applied in certain lines than in others. Consumption habits are often formed for reasons which have no inherent logic or economic basis. The purchase of

new automobiles in the late winter or in the spring, although it has become an annual custom, might be overcome. Evidence of the attempt to counteract this tendency and to spread the purchase of automobiles more evenly over the year is found in the announcement of new models by some companies at a time other than at the beginning of the year. Similarly, there would seem to be no good reason why certain kinds of food should be especially desirable at certain periods of the year, and some manufacturers are conducting intensive advertising campaigns to overcome these seasonal habits on the part of the consuming public. New uses for products are being devised and advertised with the intent of thereby extending the period during which these products may generally be used, or of placing them in an entirely new market. Systematic sales exploitation, which is becoming so common a feature of our modern system of distribution, may well be directed toward the elimination or reduction of seasonal variations of demand.

The bearing of accomplishments in stabilized production upon the problem of lay-off is self-evident. With a generally even flow of production, a trained and fairly permanent working force can be retained, and lay-offs can be relegated to a relatively minor place among administrative problems, assuming serious proportions only in the event of a major business depression. In the latter case the problem of lay-off assumes a far more serious character and management is then confronted with a necessity, rather than a choice, in reducing its working force. It no longer faces a falling off in demand of known duration and of a severity that can be estimated with some degree of accuracy. Factors entirely foreign to the individual industry exert their influence, and even when basic factors, such as finance, credits, inventories and wages, are in a sound and satisfactory condition, there is still the illusive psychological factor to be contended with. Since, however, the psychological factor more or less regulates demand for products, without which normal activity cannot be resumed, it is at once the most important and the least predictable influence. Although business enterprise is to an increasing degree realizing the cumulative effect of individual plant policies upon the general business situation, and is

consciously endeavoring to do its part in preventing aggravation of an unhealthy business condition, this effort is still far from general enough to give individual management any measure of direct control over the effect of a wide-spread business recession upon its own business. Consequently, when a concern finds itself affected by the general business recession, its problem of dealing with a surplus supply of labor assumes a different and far more difficult aspect than that brought about by a seasonal business decline.

If industrial employment could remain normal, or nearly so, thereby maintaining substantially unimpaired consumer buying power, an ordinary business recession, not complicated by exceptional conditions, would be rather short-lived. Consumer demand could, under such conditions, be expected to reassert itself quickly and thereby correct the condition responsible for the business recession. It is on this theory that far-sighted industrial managers regard a program of wholesale lay-offs as an undesirable policy when business activity declines, and the one best calculated to prolong and intensify the unsatisfactory business situation. Temporary losses from over-production or from retention of unnecessary employees are regarded by these practical economists as likely to prove smaller in the end than the losses that would result if the gravity and duration of the business recession were further aggravated by over-caution and extensive unemployment. These men have, therefore, evolved various plans for attempting to cope with the problem of maintaining employment when the need for labor would seem to be decreasing because of lessened business activity.

The training of workers for versatility appears to be one constructive method. The employee who can perform acceptably in a number of capacities is not only potentially, but actually, more valuable than the one who has mastered only a single operation. In periods of normal business activity or of business recession, practical production requirements or the seasonal character of demand may keep some departments of an enterprise more active than others. If, therefore, operations throughout the establishment were quite similar, or if adaptability to different tasks had been

brought about by special training of the workers, imparting to them a high degree of mobility, it would be practically possible to deal with the employment situation in a variety of ways. It would then be unnecessary to lay off employees in one department of the business while new workers were being engaged for work in another department, either because of inability of the former to qualify for other types of work, or from their disinclination to attempt a new type of work. The application of such a remedy would not only save considerable expense of labor turnover, but would also help to build up that feeling of reasonable security of employment which is so important a component of morale.

The extent to which training in versatility will offer a solution for excessive lay-offs will, of course, vary according to the character of the individual business enterprise. In some workshops, the skill required for the various occupations is relatively distinctive and necessitates a rather long novitiate or apprenticeship before normal speed and accuracy are attained; in such cases training for versatility would prove difficult. In other employments, however, such similarity between different tasks may exist that with well directed instruction the average employees could become proficient in several occupations within a relatively short time. If his work were so planned that he was occasionally shifted from one task to another in order to retain this acquired versatility, he would be much more readily available for work of different kinds. This arrangement offers the added advantage of making it possible for a transferred employee to earn substantially the accustomed, or even higher, wage because of his relative familiarity with the new job and would also remove any stigma that might attach to a temporary transfer to a job of lower character.

Training in versatility may be either formal or informal. It may be left to develop naturally from the chance combination of an ambitious employee and a friendly and cooperative foreman, or it may be stimulated by a definite plan of training. It may not be undertaken for all employees, but only for the more ambitious and promising. It may be confined to a scheme of interchangeability of employees within a department or section, or it may be more comprehensive in

providing for an inter-departmental exchange. Training for versatility may be made as elementary or as extensive as the individual management deems advisable or advantageous, but if it is to be relied upon as a means of giving mobility to the working force, the acquiring of supplementary skill to that needed in the regular occupation should not be left to chance.

At times, however, no administrative expedient such as described will permit the retention of the entire working force on a full-time schedule, and definite curtailment seems unavoidable. The first question then presenting itself, after the working force has been stripped of incompetent or partially competent workers whose previous, and usually only recent, employment could not readily have been avoided because of prevailing labor scarcity and similar circumstances, is whether employment should be further reduced to the point at which just sufficient personnel is retained to produce the desired output, or whether all employees should be retained on the payroll and the working schedule of the plant or of individual groups of employees be reduced. Evidence indicates that, in a general way, prevailing practice is to curtail hours of operation as the first restrictive measure, rather than to release satisfactory employees. This method has the advantage of retaining the services of competent workers against the time when normal activity is resumed. It also gives all employees at least some regular income. If, however, the period of reduced earning power is protracted, or the curtailment is progressively severe, many employees may seek full-time employment elsewhere and plant morale may be lowered. Sometimes the whole labor force may become dissatisfied and even lend itself to labor agitation, as has been the case in notable instances. Employers thus affected maintain that it is better to reduce the amount of employment in response to declining labor requirements, and thereby be able to give the remaining employees substantially full-time work.

In this, as in all personnel administration, it is impracticable to lay down hard and fast rules or policies. What will work in one situation and under one set of circumstances may prove a failure and a mistake under other conditions.

So, with respect to lay-off procedure on account of business recession, opinion and practice vary widely; yet a certain consensus of view and action is noticeable. It is becoming generally agreed that the first step toward necessary reduction of employment should be the elimination of border-line workers who obviously can not become satisfactory employees; that a further reduction should apply to married women employees whose husbands are regularly employed, and to girls and young men living at home whose parents can temporarily take care of them; that it is desirable to lay off recently employed workers rather than those of longer service, unless the former should be of decidedly greater value to the employer; and that the same rule should apply with regard to single as against married men employees.

When curtailment of the work schedule has proceeded beyond the elimination of the Saturday half-day or an additional working day each week, and further curtailment of the working force seems unavoidable, at least three important factors press for consideration in selecting those employees who are to be laid off. The first is value of the employees to the company and is naturally a fundamental consideration. In some cases it may be the only consideration to take into account. The second is the welfare of the individual employees and their relative ability to weather a period of unemployment with consequent loss of wage income. The third is the welfare of the community—the probable social and economic effect of the lay-off policy and action upon the community in which the business enterprise is located. Whichever criterion is used, the need for accurate knowledge upon which to base decision is clear. It has long been the practice to rely for such information upon the foreman. However, realization of the fallibility of the judgment of one individual, and also the danger that personal bias or favoritism may sway the foreman's estimate, has led to the introduction in a number of business enterprises of a system of individual written records periodically corrected, and frequently representing the composite judgment of two or more competent supervisors. As far as it is practicable, this procedure assures an unbiased and impersonal record of every employee on a uniform basis and makes the essential infor-

mation available for executive decision whether the question is one of lay-off, transfer or promotion.

Systems of this character naturally have originated and are used in the larger establishments, where the large number of employees makes the need for some organized system of individual rating imperative. Yet, probably nowhere is the foreman's influence more potent and often more autocratic than in the smaller plant. An impartial rating system would therefore seem to be needed even more in such plants than in the larger establishments, where the whole system of organization tends to make the foreman more broad-gauged in point of view and more impersonal in his dealings. Probbably the apparent complexity and cost of the individual rating systems used in large establishments has tended to deter smaller concerns from adopting them, but in this, as in many other instances, complexity is mainly due to the size of the establishment and the large number of individuals involved. A smaller plant should be able to install a correspondingly simpler rating plan and at the same time retain the intrinsic advantage to be derived from a sound system for rating individual employees.

When it comes to making the specific decisions as to individuals to be laid off, a number of collateral considerations to that of value to the company may, and often do, enter into the proposition. Important among these are the length of service of the employee and the number dependent upon him for support. Generally, management dislikes to lay off an employee with many years of service. Humanitarian feelings and a certain sense of obligation combine to inspire this reluctance, which is also affected by the possibility through discharge of an older, faithful, but not particularly valuable employee, of depressing the morale of the working force. It sometimes comes as a shock to management to learn that a long-service employee merits lay-off on the basis of efficiency, and management usually is inclined to accept the consequences of not having discovered sooner that the employee was not fully competent. Such instances, however, emphasize the desirability of a plan for rating employees, since under such a system employees who are not measuring up to the requirements of efficient production are discovered and eliminated before long service records have been acquired.

As a rule, the question of the number of dependents does not become a determining factor in selecting employees for lay-off unless, on the basis of efficiency and service, there is little to choose between two or more workers, or unless in an individual case there are special circumstances which would make the loss of employment a serious catastrophe to the employee. When a substantial similarity on the basis of major qualifications makes necessary some other criterion for decision, or when lay-off is decided by a composite rating on a number of grounds, such considerations as the following may be taken into account: reliability, daily attendance, accident record, physical condition, willingness to cooperate, citizenship and probable ability to find other employment.

It is evident that, even in cases where fluctuations in employment are still apparently an inescapable feature of industrial operation, there is at the present time a rational approach toward a systematic method of dealing with the problem of lay-offs. In common with other administrative questions, a technique is being evolved to supersede the hit-or-miss methods of an earlier period. This technique may consist only of a recognized scale of values to be applied in a general way to individual employees and to be interpreted solely by the foreman, or it may include an accurate rating of each employee according to a well-defined plan, as already indicated. The latter method is, after all, but a refinement of the former, a standardization of the practice approximated by the more informal method. But whether the system of rating is formal or informal, there is evident the intention to treat as fairly as possible the interests of all concerned. It is but another evidence of the growing realization that the interests of management, employees and society are so interrelated that the best procedure is the one which will have the most favorable results for all.

The stabilization of plant operation, with consequent increased security of employment, is a problem which at this time is attracting the serious attention not only of practical business executives, but also of publicists and those who would make of it a political rather than an economic ques-

tion. The subject lends itself peculiarly to exploitation because of the obvious advantages of stabilized plant operation, and because there exists, on the part of many, a lack of appreciation of the difficult obstacles encountered in making it effective. A study of the methods and experience of industrial managements in endeavoring to overcome variations in plant activity leads to the conclusion that there is no royal road to the stabilization of operation which all can travel with equal assurance of success. But, at the same time, the methods which have been devised and the progress that has been made by individual concerns, some of which faced anything but encouraging prospects when the solution of their difficulties was undertaken, demonstrates that baffling problems of irregular operation can often be made to yield to persistent, well-directed effort. The fact that managements of industrial enterprises in increasing number are devoting serious and constructive thought to this problem is the best assurance that a long step forward has been taken toward its ultimate solution, in so far as its solution on a broad scale is economically feasible.

APPENDIX

APPENDIX

PURPOSE AND PROCEDURE OF STUDY

DURING the minor business depression of 1927–1928, when manufacturing industries were curtailing working forces to an extent which aroused discussion in Congress of the probable dimensions of the body of unemployed, the National Industrial Conference Board received many inquiries with regard to prevailing methods for handling situations of diminished labor requirements. The Conference Board was aware that companies in increasing number were endeavoring in various ways to stabilize their working forces and to develop procedures, in the event that it becomes necessary to reduce the force, which will place the selection of those designated for lay-off upon an equitable basis. It was therefore believed that a very useful purpose would be served by assembling the plans of various companies for dealing with such situations, together with their experience in the actual carrying out of the provisions of these plans.

In approaching the subject of lay-off and its prevention, it was realized that larger companies were more concerned with this problem than smaller ones, since the larger the volume of personnel involved, the greater is the need for an organized procedure, and the greater the likelihood that mature thought has been given to the best means for handling conditions of fluctuating labor requirements. Consequently, the Conference Board submitted inquiries as to their policy in this matter only to companies whose employment was believed to exceed five hundred.

Information was received from 248 companies which employ, in the aggregate, in the vicinity of three-quarters of a million wage earners. Of these companies, 183, or about 75% of the total, were obliged, for one reason or another, to lay off workers in 1927, although thirteen of these establishments reported that the number laid off was negligible. Only lay-offs occasioned by lack of work were asked for in the survey, but many companies kept no separate record of lay-off statistics and could give only total number of separations, while other companies with a number of subsidiary plants did not have such statistics centralized. Comparable data, however, were received from 88 companies which reported a maximum employment of 200,269, and a minimum of 181,925 in

the year. During the same period 33,894 persons[1] were laid off because of no work. The number laid off by these establishments amounted to 16.9% of the maximum number employed during the year. The following table indicates the distribution, according to size, of companies which furnished information, and shows the representative character of the plants included in the survey.

Number of Persons Employed	Number of Companies in Each Class	Per Cent of Companies in Each Class	Total Number of Employees
100– 199	4	1.6	515
200– 499	22	9.0	8,922
500– 799	54	22.2	34,375
800– 999	23	9.4	19,851
1,000– 1,499	46	18.9	55,671
1,500– 1,999	23	9.4	40,872
2,000– 2,999	19	7.8	44,459
3,000– 4,999	23	9.4	88,478
5,000– 9,999	17	7.0	123,445
10,000–19,999	9	3.7	116,251
20,000–49,999	2	0.8	67,564
50,000 and over	2	0.8	142,226
Total	244[2]	100.0	742,629

[1] Information on number of employees not available for four companies.
[2] In some plants with two or more annual seasonal declines, the same employees may be laid off more than once during a year.

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